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PENNSTATE

1855

The Mary Jean and Frank P. Smeal
College of Business Administration
Published since 1938
Pennsylvania Business Survey

October 1990

SIGNS OF A SLUMPING ECONOMY BEGIN TO MOUNT

The latest batch of statistics on the U.S. economy suggests that the likelihood of recession has increased markedly in recent months. One has to search long and hard to find any signs of strength. It is important to keep in mind that the apparent deterioration in the economy's strength of late is not solely attributable to the tensions in the Middle East, though they have certainly played a role. Trends through the first seven months of this year were not impressive and clearly depicted a slow-growth economy. The passage of a *credible* budget and deficit-reduction agreement, probably paving the way for an easing of monetary policy on the part of the Federal Reserve, may brighten the outlook a bit. However, doubts concerning the September 30*th* budget agreement have surfaced in early debate.

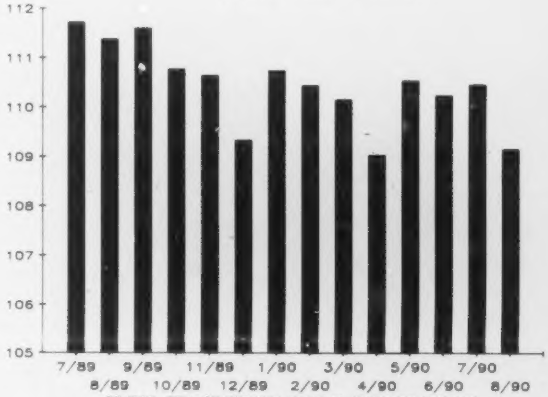
With this as a backdrop, **the outlook for Pennsylvania is not encouraging. Employment and job trends are showing no signs of improving. If anything, retail and construction trends are deteriorating. Factory output, at best, is holding steady after short-term fluctuations are averaged out. The Pennsylvania index of leading indicators has declined in five of the past seven months, including a sizeable decline in August (chart).**

Designating peaks and troughs in the national business cycle is as much art as it is science. For states, the designation is, arguably, more art than science. Partly because of a lack of timely data, it is extremely difficult to identify turning points in state economies until well after the fact. **Suffice it to say that current conditions in the Pennsylvania economy are arguably the weakest they have been since the onset of recovery more than seven years ago.**

August cannot be classified as an encouraging month on the employment and jobs front. The seasonally adjusted level of employment in Pennsylvania, at right around 5.5 million, is at its lowest reading since October 1988 and is off by 220,000 from the March 1989 record high. The jobless rate, at a seasonally adjusted 4.9 percent, is up 0.5 percentage point from a year ago and continues to trend upward after several years of decline. A year-to-date increase of 13 percent in initial claims for unemployment benefits, a leading indicator of jobless trends, suggests that the likelihood of short-term improvement on the unemployment front is minimal. Trends in the labor force also point to weakness on the employment front and in the overall economy in Pennsylvania. Typically, labor force growth tends to move positively with general economic conditions. The Pennsylvania labor force has declined in six of eight months so far this year, including in each of the past five months (chart).

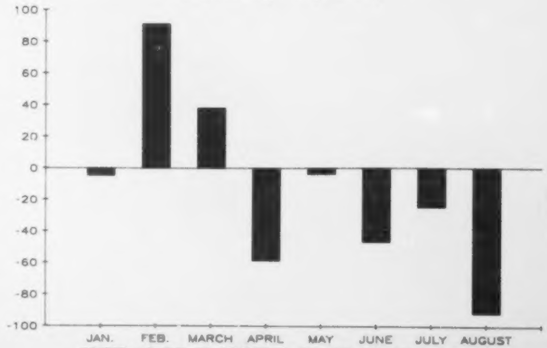
Economic conditions influence the labor force partly through their impact on the population. **Over the course of the 1980s, 175,000 more Pennsylvanians left the Commonwealth than moved into the State.** Research at The Pennsylvania State University suggests that many of those who left were among Pennsylvania's youngest and most highly educated residents, and probably left for economic reasons. These 175,000 residents represent 1.5 percent of the State's 1980 population. Nationwide, net migration

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan. 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

1990 PA MONTHLY LABOR FORCE GROWTH (thousands; change from previous month; seasonally adjusted)

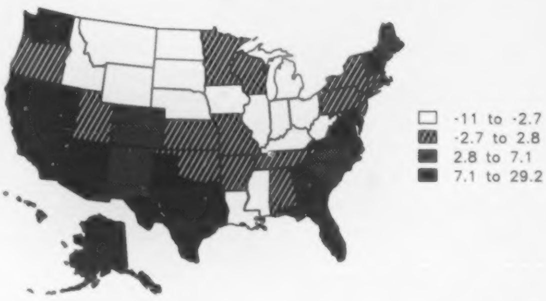


SOURCE: U.S. BUR. OF LABOR STATS.; PSU, CTR. FOR REG. BUS. ANALYSIS.

totaled 2.8 percent of the population. Most of those states losing population through out-migration or turning in a below-average performance are found in the midwest and northeast (map).

While it has been argued in past issues of the *Survey* that record employment readings in recent years may help the economy weather a downturn, employment did stand at record highs before the recession of the mid 1970s and the back-to-back recessions of the early 1980s. Hence, the fact that Pennsylvania employment is hovering at or near record highs after monthly gyrations are averaged out is not a valid defense for those arguing that a recession in Pennsylvania is unlikely. Similarly, on the surface, a jobless rate in the neighborhood of 5 percent does not appear especially alarming. While the rate was considerably higher in the late 1970s,

1980-1989 NET MIGRATION BY STATE
(percent of population)



Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	July	*Aug.*	*Aug.*	*July*	*Aug.*	*Aug.*	*July*	*Aug.*	*Aug.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,130*	5,116	5,116	5,122	5,112	5,099	112.2*	112.0	111.7
Service Producing									
No. of wage and salary jobs (thous.)	3,821*	3,800	3,764	3,831	3,825	3,788	128.1*	127.9	126.6
Transportation and public utilities	250	250	237	254	255	242	96.9	97.3	92.6
Wholesale trade	284	283	282	282	282	281	127.0*	127.1	126.5
Retail trade	891	893	896	891	892	895	124.3*	124.4	124.8
Finance, insurance & real estate	300	298	301	296	295	297	136.0*	135.4	136.5
Service & miscellaneous	1,422*	1,417	1,386	1,412*	1,413	1,382	163.7*	163.9	160.3
Federal government	148	144	144	147	143	144	114.6	111.9	112.2
State & local government	526*	516	528	549*	542	554	94.2*	93.0	95.0
Goods Producing									
No. of wage and salary jobs (thous.)	1,308	1,314	1,328	1,291	1,287	1,311	82.0	81.8	83.3
Construction	252	253	256	233	234	236	126.7	127.2	128.5
Mining	27	27	27	27	27	27	56.4*	55.6	56.9
Manufacturing	1,029	1,034	1,055	1,029*	1,026	1,047	76.6	76.4	78.0
Durable goods	585*	585	601	583	581	598	72.0*	71.8	73.8
Nondurable goods	445	449	454	446	445	450	83.7	83.6	84.5
Ave. wkly. hrs. worked by prod. workers	40.7*	40.6	40.9	40.9*	40.7	41.0	103.5*	103.0	103.7
Total wkly. person-hours worked (mils.)	28.9*	29.0	29.7	29.1*	28.9	29.7	75.8*	75.3	77.3
Total wkly. payroll (mil. dols.)	319.2*	319.5	316.3	322.4*	320.5	317.4	143.5*	142.6	141.3
Average hourly earnings (dollars)	11.05	11.03	10.63	11.07	11.10	10.69	189.3*	189.7	182.7
Average weekly earnings (dollars)	449.74	447.82	434.77	453.82	451.43	438.25	196.2*	195.1	189.4
Steel production (thous. tons)	1,012	1,069	917	n.a.	n.a.	n.a.	48.2	52.2	44.8
Industrial electric power sales (mil. kwh)	3,905	4,037	3,900	3,843	3,920	3,770	104.1	106.2	102.1
Mining									
Anthracite coal (thous. net tons)	277	345	334	304	280	275	62.3	57.3	56.3
Bituminous coal (thous. net tons)	5,173	6,571	6,178	6,399	6,255	5,805	90.7	88.7	82.3
Construction contracts awarded (mil. dols.)									
Total	801.9	719.9	1,138.2*	743.7	653.6	1,039.1*	231.2	203.2	323.0*
Residential building	332.3	315.8	423.8*	297.5	259.1	343.0*	211.4	184.1	243.7*
Nonresidential building	281.3	243.8	531.1*	289.2	219.9	484.5*	266.5	202.7	446.6*
Nonbuilding (utilities and public works)	188.4	160.3	181.6*	157.0	174.6	211.6*	216.6	240.9	291.9*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,664	5,624	5,648	5,563	5,502	5,521	115.8	114.5	114.9
Unemployed									
No. of persons (thous.)	310	253	231	292	276	253	72.9	68.9	63.1
Rate (percentage of labor force)	5.2	4.3	3.9						
Rate, seasonally adjusted				5.0	4.9	4.4			
Civilian labor force, no. of persons (thous.)	5,974	5,877	5,879	5,856	5,779	5,774	112.5	111.0	110.9
Initial claims for unemployment benefits	106,487	87,454	72,789	98,963	114,157	94,483	69.1	79.7	66.0

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	July	*August*	*August*	*Ago*	*Ago*
U.S. city average	130.4	131.6	124.6	0.9	5.6
Philadelphia	136.3	137.3	129.1	0.7	6.4
Pittsburgh	n.a.	127.1	120.8	n.a.	5.2

[1] Total includes workers on strike. * = figure revised n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

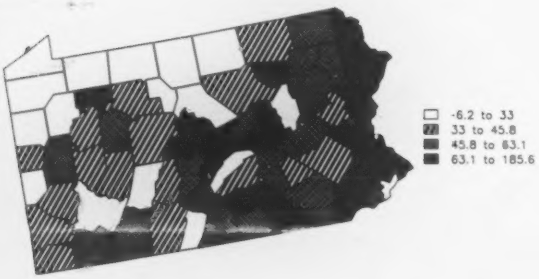
prior to the recessions of the early 1980s, it was in this same 5 percent-range prior to the 1974-1975 recession. Also, due to structural changes in the economy, not only in Pennsylvania, but throughout the nation, the jobless rate may not soar as it has in previous recessions.

On the nonagricultural jobs front, seasonally adjusted job levels have declined in six consecutive months through August. At just over 5.1 million, August job totals are essentially unchanged from a year ago. Even growth in the service producing sector appears to be slowing, though August trends are distorted a bit by an unusually large drop in State and local government jobs, perhaps as a result of early terminations in various government-sponsored summer jobs programs. (Caution should also be used in year-ago comparisons in the transportation and public utilities area as August 1989 trends were distorted by a strike in the communications field.) **While service producing jobs are up 46,000 so far this year compared to the first eight months of 1989, this falls well short of the 87,000 average annual gain over the 1982-1989 period. There are no signs of a turnaround in the downtrend in factory jobs which began in 1989. Manufacturing job levels have once again receded to all-time lows.**

Over the course of the 1980s, the service sector led the State in terms of overall job growth. Between 1980 and 1989, jobs in these industries grew 46 percent Statewide. For the most part, the eastern half of the Commonwealth turned in the strongest performance. Much of western Pennsylvania and a string of counties along the northern tier of the State turned in a below-average performance in terms of service job growth. During the final years of the decade, however, growth was a bit more balanced across the Commonwealth. Western Pennsylvania was home to several counties which turned in above-average service job growth rates (maps).

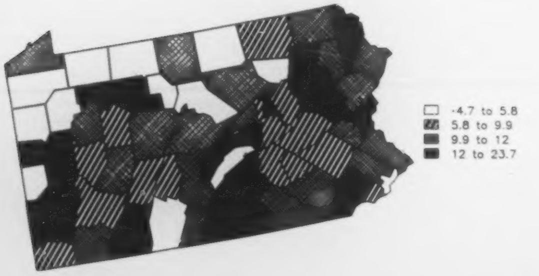
Pennsylvania's performance relative to the U.S. in terms of nonagricultural job growth was well below-average during the 1980s. Between 1980 and 1989, Pennsylvania's share of total U.S. nonfarm jobs fell from 5.23 percent to 4.73 percent, a drop of over 9.6 percent. Only seven states are characterized by a steeper percentage decline in job share than Pennsylvania. The frostbelt/sunbelt split is apparent in national trends in job shares. Most growth states

PA SERVICE JOB GROWTH BY COUNTY: 1980-1989
(percent)



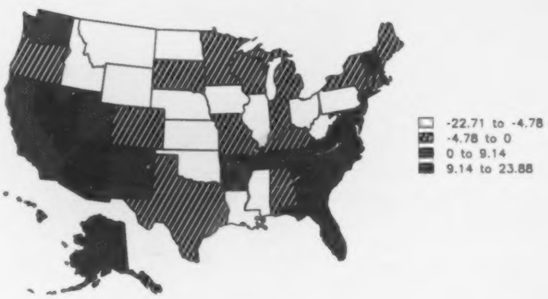
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

PA SERVICE JOB GROWTH BY COUNTY: 1987-1989
(percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

CHANGE IN STATE NONFARM JOB SHARES: 1980-1989
(percent)



SOURCE: U.S. BUR. OF LABOR STATS.; PSU, CTR. FOR REG. BUS. ANALYSIS.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	July	Pct. chg.	Year-to-date	Pct. chg.
Total	6,725	– 0.7	46,383	1.7
Durables	2,418	– 5.5	16,596	–0.8
Bldg. mat.	329	3.5	1,938	–0.6
Auto dlrs.	1,469	– 5.9	9,924	–3.1
Furniture	309	8.0	2,183	6.5
Other	311	–21.1	2,551	2.1
Nondurables	4,307	2.2	29,787	3.1
Gen. mdse.	649	2.9	4,494	3.3
Food/grocery	1,392	0.3	9,704	2.5
Gas	410	1.7	2,741	2.3
Apparel	300	– 2.3	2,201	2.3
Eat/drink	864	0.8	5,599	5.2
Drugs	267	13.6	1,804	1.3
Other	425	7.9	3,244	3.4
Seas. adj. total: July		6,771		
June		6,785		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
July	51,555	–14.5
1990 YTD	365,964	– 7.7
12-month total	634,724	–10.1

Source: R.L. Polk & Co.

are located in the west and south. The midwest and northeast regions witnessed declines in job share (map).

Most non-employment measures of economic activity also point to a slowdown in the Pennsylvania economy. While the Pennsylvania Manufacturing Activity Index has increased in both July and August, this indicator of factory production is still off from post-recessionary highs recorded in late 1988 and early 1989. Retail sales in July are off 0.7 percent from a year ago, even before adjustment for price changes. For the year, they are up 1.7 percent, not nearly enough to compensate for the increase in the overall level of prices. Nationwide, retail sales are up 4.2 percent. Trends in the automotive sector, combined with the continued downtrend in new motor vehicle registrations, continue to point to weakness in car sales. Construction activity is weak. Permit authorizations for new residential projects continue to trend down as 1990 will likely result in the weakest showing in ten years. Trends in the value of contract awards also point to considerable softness in the building industries.

Over the course of 1990, it has been argued in the *Pennsylvania Business Survey* that one should not look too negatively upon the downtrend in the State's economic growth. Until now, it has been argued that talk of a recession has been premature. While there were numerous signs of a slowdown, growth was positive. However, recent trends, mostly national and international in scope, suggest that a recession may be on the horizon. The evidence is strong enough to justify a more pessimistic outlook for the Pennsylvania economy. In meterological terms, the first half of 1990 constituted a "recession watch." Conditions have deteriorated enough to now warrant a "recession warning." A recession may be "out there," but where, when, and if it will touch down is still unknown.

— *William D. Anderson*

New Pennsylvania building permit authorizations (percent change from year ago)

	August	Pct. chg.	Year-to-date	Pct. chg.
Residential	2,927	−32.4	26,304	−19.2
Nonresidential	1,971	−11.0	14,903	− 5.1

Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania Business Survey

October 1990 Vol. 31, No. 10

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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November 1990

CONCERN OVER THE SHORT-TERM OUTLOOK CONTINUES TO MOUNT

Evidence of a weakening economy in Pennsylvania continues to accumulate. With each passing month, it becomes more apparent that the economic recovery, which began in, roughly, 1983 in the Commonwealth, is in danger. Perhaps the most positive conclusion which can legitimately be drawn is that, while a rebound in economic growth can confidently be ruled out, it is perhaps incorrect to label Pennsylvania as being in a recession, though the State is certainly near the edge.

Downward pressure on interest rates appear to be required for the U.S. economy to get back on its feet, thereby propping up the Pennsylvania economy. The recent budget agreement may give Federal Reserve policymakers enough room to ease rates down, but the impacts will most likely fall on the short-term side. As long as the inflation outlook remains pessimistic, long-term rates, which are much more likely to influence overall economic activity than short-term rates, will remain stubbornly high. On the bright side, once the current "inflation scare" is history, long-term rates may decline, perhaps paving the way for an uptick in the economy.

The current slowdown appears to be hitting the goods producing sector especially hard. Trends in construction and manufacturing have clearly deteriorated through the first several months of 1990. **On the construction side, new housing units authorized by permit in Pennsylvania during September are down by 43 percent from a year ago. For the year, authorizations are off by more than one-fifth.** Weakness is apparent in three of the State's largest metro areas — Philadelphia, Pittsburgh, and Allentown-Bethlehem. Recent trends in permits also point to some softening on the nonresidential side. Compared to a year ago, the value of construction contract awards is off so far in 1990. Over the course of this year, building-related jobs have come in at a reading which is essentially unchanged from a year ago.

In light of the current slump in real estate/construction activity, there is some concern that Pennsylvania is in store for depression-like conditions evident in other areas such as Massachusetts and the oil patch in recent years. Such a scenario is not likely to unfold in the Commonwealth, at least to the same degree as elsewhere, simply because Pennsylvania's economy does not fall into the "boom/bust" category. The Commonwealth is not dependent on defense-related activity in the same manner as Massachusetts. It has not been subject to the massive retrenchment in a previously-thriving dominant industry, such as the oil industry in the southwest. In those states and regions which have been through this boom/bust scenario, the bottom fell out of real estate and construction markets partly because of overbuilding. Too much construction was put in place during the

New Pennsylvania building permit authorizations (percent change from year ago)

	Sept.	Pct. chg.	Year-to-date	Pct. chg.
Residential	2,303	−42.7	28,617	−22.1
Nonresidential	1,877	5.0	16,758	− 4.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1990: IIIQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	465	−24.5	1,561	−18.4
Carbon	39	−42.6	136	−29.5
Lehigh	172	−42.5	620	−34.9
Northampton	254	2.0	805	4.8
Beaver County MSA	132	25.7	400	39.9
Philadelphia MSA	1,815	−36.5	6,470	−26.6
Bucks	553	− 7.1	1,774	−23.5
Chester	496	−50.5	1,559	−38.9
Delaware	146	−50.2	534	−35.1
Montgomery	514	−35.2	2,115	−19.2
Philadelphia	106	−39.4	488	− 2.2
Pittsburgh MSA	934	−17.9	3,232	− 8.4
Allegheny	498	−18.2	1,710	−17.8
Fayette	58	−15.9	262	4.4
Washington	140	−20.5	456	13.4
Westmoreland	238	−15.9	804	1.3
Adams County	159	−13.1	536	0.2
Nonres. buildings				
Allentown-Beth. MSA	467	−12.4	1,538	− 2.2
Carbon	43	59.3	136	58.1
Lehigh	190	−20.5	610	−15.2
Northampton	234	−12.4	792	3.1
Beaver County MSA	103	14.4	278	13.9
Philadelphia MSA	1,284	− 6.8	3,821	− 5.0
Bucks	440	4.0	1,279	2.2
Chester	294	−15.8	898	− 7.4
Delaware	180	15.4	470	6.6
Montgomery	332	−17.6	1,056	−14.8
Philadelphia	38	−19.1	118	− 3.3
Pittsburgh MSA	671	− 7.3	1,862	− 6.3
Allegheny	336	−11.3	915	−12.4
Fayette	80	2.6	202	− 3.3
Washington	107	−10.8	310	− 3.7
Westmoreland	148	0.7	435	5.8
Adams County	78	− 6.0	191	−19.4

Source: U.S. Dept. of Commerce, Bureau of the Census.

boom side of the cycle which could not be absorbed during the bust.

One measure which is often used to determine whether or not a state can be characterized as "overbuilt" is the share of jobs accounted for by construction relative to the national share *in light of the state economy's relative performance.* If a state's economy is relatively strong, construction activity is expected to follow suit and building-related jobs should account for a relatively high share of the total. During the 1980s, Pennsylvania's economic performance trailed the nation's by most measures of activity. While retail sales growth was on par with the U.S.', growth in personal income and nonfarm jobs came in considerably below national averages (chart). The fact that construction accounted for about 4.1 percent of all jobs in Pennsylvania during the 1980s compared to a 5.6 percent share for the nation as a whole is not surprising given the State's relatively weak economic showing (chart) and suggests that real estate and construction markets in the Commonwealth are not overbuilt.

Trends in the factory sector continue to point down. So far this year, jobs are off by 21,000 compared to the first nine months of 1989. Manufacturing output, as measured by the Pennsylvania Manufacturing Activity Index, dropped considerably in September, though caution should be exercised in gauging monthly changes. Long-term trends suggest that production continues to ease from post-recessionary highs recorded in late 1988 and early 1989.

On the nonagricultural jobs front, weakness is evident across most industries (table). In the private sector, all but two of the eight industries show growth of less than

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
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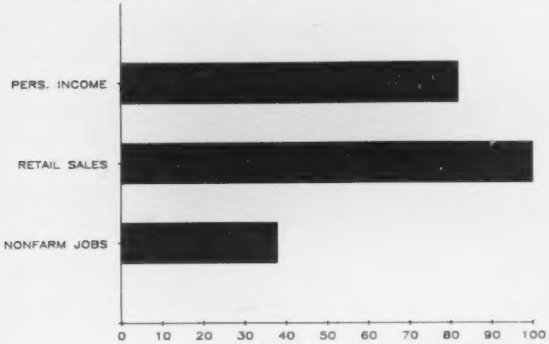
	Aug.	*Sept.*	*Sept.*	*Aug.*	*Sept.*	*Sept.*	*Aug.*	*Sept.*	*Sept.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,119*	5,149	5,137	5,115*	5,126	5,114	112.0	112.3	112.0
Service Producing									
No. of wage and salary jobs (thous.)	3,802*	3,838	3,806	3,827*	3,842	3,809	127.9	128.4	127.3
Transportation and public utilities	250	256	256	255	255	255	97.4*	97.6	97.4
Wholesale trade	263	282	281	281*	282	281	126.7*	127.1	126.8
Retail trade	895*	893	893	895*	894	894	124.8*	124.7	124.7
Finance, insurance & real estate	299*	296	297	295	295	296	135.8*	135.7	136.2
Service & miscellaneous	1,416*	1,421	1,393	1,412*	1,413	1,384	163.7*	163.8	160.5
Federal government	144	141	143	143	141	144	111.8*	110.3	112.2
State & local government	516	549	541	542	562	553	93.0	96.4	94.9
Goods Producing									
No. of wage and salary jobs (thous.)	1,315*	1,307	1,328	1,289*	1,284	1,305	81.9*	81.6	82.9
Construction	253	249	252	233*	234	236	126.9*	126.9	128.5
Mining	27	28	28	27	27	27	56.4*	56.2	57.1
Manufacturing	1,035*	1,030	1,048	1,027*	1,023	1,041	76.6*	76.2	77.5
Durable goods	586*	582	596	583*	579	593	72.0*	71.5	73.2
Nondurable goods	449	448	452	445	444	448	83.6	83.4	84.1
Ave. wkly. hrs. worked by prod. workers	40.7*	41.1	41.1	40.8*	40.9	40.9	103.3*	103.6	103.5
Total wkly. person-hours worked (mils.)	29.1*	29.2	29.7	29.0*	29.0	29.5	75.6*	75.4	76.8
Total wkly. payroll (mil. dols.)	321.0*	324.9	319.1	322.0*	322.3	316.5	143.3*	143.4	140.9
Average hourly earnings (dollars)	11.03	11.13	10.74	11.10	11.10	10.71	189.7	189.7	183.1
Average weekly earnings (dollars)	448.92	457.44	441.41	452.54	455.62	439.83	195.6*	197.0	190.1
Steel production (thous. tons)	1,069	1,026	831	n.a.	n.a.	n.a.	52.2	53.2	43.3
Industrial electric power sales (mil. kwh)	4,037	3,782	3,850	3,920	3,679	3,799	106.2	99.6	102.9
Mining									
Anthracite coal (thous. net tons)	345	323	322	280	297	289	57.3	60.7	59.2
Bituminous coal (thous. net tons)	6,571	6,346	6,131	6,255	6,355	6,111	88.7	90.1	86.6
Construction contracts awarded (mil. dols.)									
Total	719.9	777.9	912.9*	653.6	895.5	933.1*	203.2	278.3	290.0*
Residential building	315.8	270.6	435.9*	259.1	255.8	406.5*	184.1	181.8	288.9*
Nonresidential building	243.8	299.2	370.8*	219.9	336.8	382.6*	202.7	310.4	352.7*
Nonbuilding (utilities and public works)	160.3	208.1	106.2*	174.6	302.9	144.0*	240.9	417.9	198.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,624	5,561	5,588	5,502	5,525	5,552	114.5	115.0	115.5
Unemployed									
No. of persons (thous.)	253	297	235	276	320	257	68.9	79.8	64.0
Rate (percentage of labor force)	4.3	5.1	4.0						
Rate, seasonally adjusted				4.9	5.5	4.4			
Civilian labor force, no. of persons (thous.)	5,877	5,858	5,823	5,779	5,845	5,809	111.0	112.3	111.6
Initial claims for unemployment benefits	87,454	73,926	65,803	114,157	112,348	94,882	79.7	78.5	66.3

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	Aug.	*Sept.*	*Sept.*	*Ago*	*Ago*
U.S. city average	131.6	132.7	125.0	0.8	6.2
Philadelphia	137.3	138.2	130.2	0.7	6.1
Pittsburgh	127.1	n.a.	120.8&	n.a.	5.2

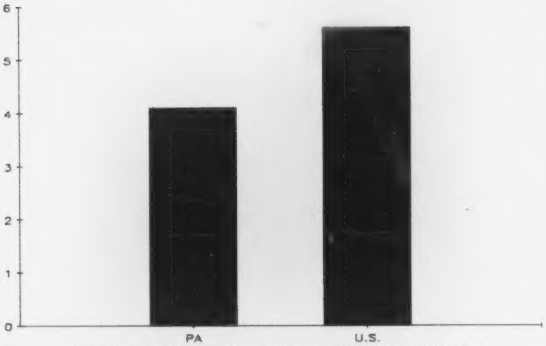
[1] Total includes workers on strike. * = figure revised & = figure for August 1989 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



PA GROWTH VS. U.S. GROWTH, 1980-1989:
SELECTED ECONOMIC INDICATORS
(PA growth as a percent of U.S. growth)

SOURCE: U.S. DEPT. OF COMMERCE; PA DEPT. OF LABOR AND INDUSTRY; PSU.



CONSTRUCTION AS A SHARE OF NONFARM JOBS,
1980-1989: PA AND THE U.S.
(percent)

SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY; PSU.

1990 PA nonagricultural job growth by industry
(based on trends through September)

	Nonfarm jobs (thous.)		Growth	
	1989	1990	Absolute (thous.)	Percent
Mining	26.8	27.3	0.5	1.9
Construction	232.5	233.0	0.5	0.2
Manufacturing	1,051.9	1,031.4	−20.5	−1.9
Trans./Pub. utilities	252.9	252.9	0.0	0.0
Wholesale trade	279.9	282.3	2.4	0.9
Retail trade	889.4	889.3	− 0.1	0.0
Finance	296.3	297.1	0.8	0.3
Services	1,373.8	1,406.6	32.8	2.4
Federal govt.	143.4	145.5	2.1	1.5
State/Local govt.	549.0	555.7	6.7	1.2

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.

1 percent between the first nine months of 1989 and 1990. Mining's performance is somewhat misleading in that 1989 totals were below normal due to a strike, "artificially" inflating the 1990 gain. Even in services, the only industry showing any appreciable gains, job growth so far this year is coming in considerably less than in previous years.

Retail activity also continues to show signs of weakness. In August, sales are down from year-ago readings for the second time in three months. For the year, sales are up a weak 1.5 percent from the first eight months of 1989 as durable goods sales continue to recede. As a result of this sluggish showing on the sales front, retail trade jobs are holding steady, at best. This comes on the heels of seven years of continuous employment gains. While sales gains are weak in the Philadelphia region, the Pittsburgh metro area has realized a decline in the nominal value of retail sales.

Not surprisingly, overall employment and unemployment conditions remain on the weak side. **Third quarter jobless rates are up from year-ago readings in 62 of the Commonwealth's 67 counties. On the employment side, employment is down in 39 counties over the same period. For the State as a whole, September brings with it further evidence that employment is, for the most part, holding steady, with the result being some upward pressure on joblessness. The first reading of the economy's health in October suggests that unemployment is up sharply in Pennsylvania, to its highest level in four years.**

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	August	Pct. chg.	Year-to-date	Pct. chg.
Total	7,215	− 0.2	53,663	1.5
Durables	2,550	− 7.7	19,153	−1.8
Bldg. mat.	311	− 4.3	2,240	−1.5
Auto dlrs.	1,590	− 8.3	11,532	−3.7
Furniture	314	3.3	2,484	5.5
Other	335	−16.5	2,897	−0.1
Nondurables	4,665	4.4	34,510	3.5
Gen. mdse.	742	2.3	5,230	3.1
Food/grocery	1,456	3.0	11,184	2.8
Gas	438	8.4	3,173	2.9
Apparel	381	0.3	2,583	2.1
Eat/drink	857	1.1	6,441	4.4
Drugs	268	10.7	2,068	2.3
Other	523	14.9	3,831	6.7

Seas. adj. total: August 7,024
July 6,836

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce,
Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

Philadelphia and Pittsburgh metropolitan area retail sales
(millions of dollars; pct. chg. from year ago; data through Aug.)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	22,846	4.9	9,198	− 4.0
Durables	8,293	3.5	2,965	− 9.9
Bldg. mat.	918	−10.9	381	6.7
Auto dlrs.	4,781	5.4	1,588	−19.8
Furniture	1,245	21.2	350	− 3.6
Other	1,349	− 5.1	646	9.3
Nondurables	14,553	5.8	6,233	− 0.9
Gen. mdse.	2,056	− 0.0	1,102	1.3
Food/grocery	4,854	4.7	1,645	8.7
Gas	1,111	− 0.2	701	5.7
Apparel	1,293	3.9	528	2.5
Eat/drink	2,543	10.9	1,184	− 9.9
Drugs	980	9.4	578	−13.5
Other	1,716	13.0	495	− 6.6

Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

1990:IIIQ county employment
(pct. and pct. pt. changes are from year-ago quarter)

	Empl. (thous.)	Ann. pct. chg.	Unemp. rate (pct.)	Ann. pct. pt. chg.*
Adams	37.9	−0.8	3.8	0.2
Allegheny	637.8	0.6	3.7	0.0
Armstrong	26.7	−2.9	6.9	0.6
Beaver	54.8	−1.1	6.9	0.2
Bedford	20.0	−1.0	7.9	1.1
Berks	170.2	−0.5	4.7	1.3
Blair	58.2	1.9	6.6	1.2
Bradford	29.9	−0.7	4.8	1.0
Bucks	287.2	−0.7	3.8	0.7
Butler	70.6	−1.0	5.1	0.9
Cambria	59.1	−0.3	6.9	−0.7
Cameron	2.6	0.0	6.3	0.6
Carbon	23.5	−0.4	6.7	0.7
Centre	63.6	0.3	4.9	0.9
Chester	194.0	−0.7	3.3	0.7
Clarion	16.2	−3.0	6.9	1.1
Clearfield	31.6	−1.9	8.0	0.2
Clinton	14.2	0.7	8.2	1.4
Columbia	30.1	−0.7	5.3	0.8
Crawford	37.0	−1.3	6.1	1.1
Cumberland	110.1	1.6	3.6	0.8
Dauphin	134.2	1.6	4.6	0.6
Delaware	280.2	−0.7	3.6	0.3
Elk	16.6	0.6	5.2	0.2
Erie	128.7	1.3	4.7	0.2
Fayette	55.1	0.5	6.2	0.4
Forest	1.7	0.0	6.1	−2.1
Franklin	56.8	−0.9	5.5	2.2
Fulton	5.9	0.0	5.5	1.9
Greene	11.7	−2.5	8.5	0.6
Huntingdon	17.8	2.3	7.7	1.0
Indiana	31.6	−1.9	7.7	−0.2
Jefferson	18.5	−1.6	6.1	0.9
Juniata	9.6	0.0	7.9	2.0
Lackawanna	104.4	−0.4	6.2	1.1
Lancaster	216.6	−1.0	3.7	0.7
Lawrence	46.2	−0.9	4.8	0.5
Lebanon	63.7	1.4	4.0	0.2
Lehigh	141.2	−0.5	4.8	0.8
Luzerne	151.7	−0.4	6.5	0.8
Lycoming	58.1	1.8	6.3	1.2
McKean	19.5	−1.5	6.1	1.0
Mercer	50.1	3.1	4.6	0.6
Mifflin	20.9	−0.5	7.0	0.4
Monroe	47.2	−0.4	5.8	2.2
Montgomery	375.0	−0.7	3.4	0.6
Montour	7.8	−2.5	4.7	1.2
Northampton	110.6	−0.5	5.2	1.2
Northumberland	45.7	−1.7	7.6	1.5
Perry	20.6	1.5	5.3	1.0
Philadelphia	689.1	−0.7	5.9	1.0
Pike	13.9	4.5	4.7	1.1
Potter	7.4	1.4	5.9	0.0
Schuylkill	69.5	0.6	6.9	0.9
Snyder	18.2	−1.6	6.6	2.2
Somerset	30.1	0.0	6.2	0.3
Sullivan	3.0	0.0	4.5	1.3
Susquehanna	17.6	0.0	5.8	0.3
Tioga	17.7	0.0	6.4	1.6
Union	16.4	−1.8	5.2	1.5
Venango	23.4	−1.7	5.4	0.5
Warren	21.5	−0.9	3.8	−0.3
Washington	89.2	0.6	4.6	0.3
Wayne	21.4	3.9	4.8	1.2
Westmoreland	167.5	0.6	4.4	−0.7
Wyoming	12.7	−0.8	5.4	0.8
York	174.8	−0.7	4.7	0.7

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.
*Current rate minus year-ago rate.

Based upon recent trends in the Pennsylvania index of leading indicators, there is little hope for a rebound in economic growth in Pennsylvania in the near-term. This qualitative measure of the economy's health has now declined in six of the past eight months. The coincidental index, designed to mirror current economic trends, has been on the downtrend for four consecutive months and eight of the past ten months.

— *William D. Anderson*

Around the State

Northeastern Quarter

Allentown-Bethlehem

Perhaps the most widely followed measure of regional economic health, employment and unemployment trends, suggest that the Allentown-Bethlehem metropolitan area is following the pattern evident Statewide. After monthly ups and downs are averaged out, employment appears, at best, to be holding fairly steady, with some upward pressure on joblessness resulting. Through the first three quarters of this year, employment has been slightly below year-ago readings in eight of nine months. The 313,000 residents officially listed as employed in the third third quarter represent the lowest reading in more than two years after seasonal adjustment. So far this year, 4,300 more residents are counted as among the unemployed than during the first nine months of 1989.

Nonfarm job totals have been holding fairly steady since the beginning of 1989. For the year, jobs are up just 0.4 percent, a gain pretty much in line with the State's 0.5 percent advance. If current trends continue, 1990 will result in one of the weakest job gains in several years. The general downtrend in goods producing jobs shows no sign of reversing. This year's July-September period marks the fifth consecutive quarter in which seasonally adjusted job levels have receded

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	313.0	113	115	113
Unemployed, no. of residents	16.9	86	87	70
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	329.9	111	113	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	281.0	110	110	109
Srv. Prod. only, no. of jobs	192.2	139	139	137
Goods Prod. only, no. of jobs	88.6	75	75	76
Hrs. worked by production workers in mfg., ave. weekly	39.9	104	103	105
Industrial electric power sales				
Metropolitan area	***	103	104	108
Allentown	***	94	95	94
Bethlehem	***	107	107	116
Easton	***	112	120	114
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	172.6	−30		
Nonresidential contracts only	160.0	0		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

to a new record low. Electricity sales to industrial customers has been on the downtrend since the beginning of 1989, suggesting that factory production is easing. The average manufacturing workweek, a leading indicator of hiring trends, has been holding steady for the past several months, implying that the outlook for factory jobs is not especially positive.

Construction activity has slowed considerably in the region. On a year-to-date basis, residential construction contracts are down nearly one-third from a year ago while nonresidential values are unchanged. The number of new housing units authorized by permit are down one-fifth from the first nine months of 1989 in the Pennsylvania portion of the region. This follows declines of 20 and 32 percent in 1988 and 1989, respectively. This year's decline is especially pronounced in Lehigh and Carbon Counties. New nonresidential projects authorized by permit are down 2 percent so far this year.

Between 1982 and 1989, service producing jobs grew by an average of 5,700 per year. So far in 1990, job growth is in the neighborhood of 3,100. While 1990 will undoubtedly result in another record total, job readings have eased a bit in both the second and third quarters of this year after seasonal adjustment.

All things considered, it does not appear that the region's economy is contracting. However, it is safe to conclude that the rate of economic growth has slowed to a crawl. Furthermore, the future is likely to bring more of the same, at least in the short-term. In light of the weakness expected in the national economy, northeastern Pennsylvania will struggle to hold its own.

Scranton-Wilkes-Barre

Economic conditions in the five counties in the Scranton-Wilkes-Barre metro area are showing signs of weakening as 1990 begins to wind down. The short-term outlook suggests that a rebound can confidently be ruled out. The big question is whether the economy slips into recession or exhibits minimal, albeit positive, growth. Right now, the latter appears more likely, though a strong case which argues that a recession is imminent is certainly defensible.

For several years, service producing industries have provided nearly all new jobs in the region, a trend which has continued through the first nine months of this year. During the first three quarters of 1990, service producing jobs are up 2.1 percent. This compares favorably with the 1.2 percent gain recorded Statewide. In that the current slowdown is hitting the goods producing sector especially hard, these industries will likely continue as the main engine of job growth.

While service producing jobs continue to grow and remain at record high readings, there are signs of slowing. Between 1982 and 1989, retail trade jobs increased at a 4.4 percent annual clip. So far this year, these jobs have grown at a much weaker 1.8 percent pace. Much the same is true for services, where jobs are up 2.4 percent so far this year compared to an average gain of 5 percent during the previous seven years.

After reaching a post-recession high last year, goods producing jobs have apparently topped out as about 1,000 positions have been lost so far in 1990. In manufacturing alone, 1,300 jobs have been lost compared to the first three quarters of 1989. The construction industry has added 200 jobs, but activity appears weak based upon trends in the value of contract awards. Over the 1982-1989 period, there was an average of more than 400 new building-related jobs added each year to payrolls.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	346.1	120	122	120
Unemployed, no. of residents	22.8	75	77	62
Rate, seasonally adjusted	6.4			
Civilian labor force, no. of residents	368.9	116	118	114
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	309.3	118	118	117
Srv. Prod. only, no. of jobs	223.0	137	137	135
Goods Prod. only, no. of jobs	86.2	86	87	88
Hrs. worked by production workers in mfg., ave. weekly	39.8	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	123	121	118
Lackawanna County[2]	...	134	133	132
Luzerne County[3]	...	118	112	107
Hazleton	...	107	101	95
Wilkes-Barre	...	127	124	114
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	224.2	−21		
Nonresidential contracts only	112.4	+ 3		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

These generally weak trends have resulted in some deterioration on the employment/unemployment front. The region's jobless rate has been above year ago readings for 11 consecutive months. Before seasonal adjustment, third quarter's 6.2 percent rate is up 1.1 percentage points from last year. Employment growth so far this year has been minimal. In both August and September, employment readings come in below a year ago. All five counties in the region are characterized by this "sluggish employment/rising joblessness" picture. In fact, Monroe County's 2.2 percentage point increase in the jobless rate during the third quarter compared to a year ago matches the highest increase in the Commonwealth.

Williamsport

During much of the mid 1980s, Lycoming County was home to one of the strongest economies outside of the southeastern region of the Commonwealth. Recent trends, however, suggest that the Williamsport metro area is not immune to the economic slowdown which is clearly evident nationwide. On a more positive note, the weakness has not spread throughout the economy in the region. Only certain industries and sectors appear to be experiencing considerable difficulties. While the 58,100 residents officially listed as employed in the third quarter is up by 1,000 from a year ago, there are some worrisome signs. Employment growth remains weak in comparison with the past several years. Also, seasonally adjusted readings are down in both the second and third quarters. In absolute terms, the third quarter finds joblessness up by 800 from a year ago while the rate of unemployment is up from 5.9 to 7.1 percent, seasonally adjusted. Statewide, the jobless

Williamsport Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	58.1	122	122	119
Unemployed, no. of residents	3.9	93	91	77
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	62.0	119	120	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.6	113	114	112
Srv. Prod. only, no. of jobs	33.9	128	127	124
Goods Prod. only, no. of jobs	18.1	92	96	96
Hrs. worked by production workers in mfg., ave. weekly	40.2	103	99	103
Industrial electric power sales	***	130	135	101
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	14.2	− 41		
Nonresidential contracts only	17.3	+ 101		

[1] Lycoming County

rate comes in at 5.1 percent.

Service producing job levels have stood at a record high almost nonstop since mid 1985. These industries continue to turn in an impressive performance. This year's third quarter finds 33,900 jobs in these establishments, up by 1,000 from a year ago. For the year, jobs are up 2.8 percent, well in excess of the 1.2 percent Statewide advance and a slight improvement over the 2.6 percent gain averaged over the 1982-1989 period.

For the most part, the weakness evident of late in the overall economy of the region is concentrated in the goods producing sector where job totals are off by 400 so far this year. Job trends in durable goods manufacturing are especially worrisome in light of the-year-to-date decline of 800 jobs. However, a labor-management dispute has depressed job readings in recent months, rendering comparisons over time somewhat suspect. Suffice it to say that manufacturing job totals appear to be in a slight downtrend. Should overall economic conditions continue to weaken, these industries will likely cut payrolls in the coming months. Residential construction activity appears weak based upon the value of contracts awarded. On the nonresidential side, awards are double their 1989 value so far this year.

Southwestern Quarter

Altoona

Although the Blair County economy appears to be in the midst of an economic slowdown, the slump does not appear to be quite as pronounced as in the State as a whole. For instance, nonfarm jobs are up 1.5 percent through the first nine months of this year, triple the gain recorded Statewide. Still, this comes on the heels of an average gain of 2.1 percent turned in during the 1983-1989 period. While it is safe to argue that economic growth has slipped a notch in the region, recent trends do not merit talk of a recession.

What weakness there is in the economy remains concentrated in the goods producing sector, especially in manufacturing. For the sector as a whole, the trend continues to point down as job readings have been below year-ago totals in 11 consecutive quarters. After seasonal adjustment, job levels stand just barely above recessionary lows recorded in 1983. In manufacturing, job levels are off by 300 so far this year. Construction activity appears to be holding its own based upon trends in the value of contracts awarded. Service producing jobs are up 2.6 percent so far in 1990, more than double the increase recorded Statewide. Jobs in the services industry are up by 400, slightly higher than retail trade's increase of 300.

Altoona Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	58.2	109	111	106
Unemployed, no. of residents	4.1	115	107	93
Rate, seasonally adjusted	7.2			
Civilian labor force, no. of residents	62.3	109	111	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.2	102	103	101
Srv. Prod. only, no. of jobs	40.4	112	112	109
Goods Prod. only, no. of jobs	12.8	80	82	82
Hrs. worked by production workers in mfg., ave. weekly	39.8	105	100	104
Industrial electric power sales	***	81	78	78
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	14.8	+ 28		
Nonresidential contracts only	30.1	+ 16		

[1] Blair County

When all is said and done, 1990 will likely mark the fourth consecutive year in which a record number of Blair County residents are counted among the employed. Through the first nine months of the year, employment has averaged 57,300 for a gain of 900 over a year ago. Unfortunately, the labor force has increased by nearly twice that amount, with the end result being a rise in joblessness in the neighborhood of 700 residents. This year's employment gain comes in at 1.5 percent, a good bit below the 2.5 percent average gain from the previous six years.

Johnstown

After declining for six consecutive years, from 20.6 percent in 1983 to 7.1 percent in 1989, unemployment is on the rise in the Cambria-Somerset County region so far in 1989. Through the first nine months of the year, the jobless rate has averaged 7.6 percent, up from a 6.9 percent reading from a year ago. The rise in joblessness occurs as employment has settled into a holding pattern. In fact, the number of residents officially listed as employed is down a minimal 0.3 percent on a year-to-date basis in the Johnstown metro area. As with the reversal in unemployment trends, this comes on the heels of six years of continuous employment growth.

For the past several years, the region's service producing establishments have been turning in an especially strong performance. This year, job growth in these establishments is averaging 0.9 percent per month. Unfortunately, this is only about one-half the gain averaged over the course of the 1983-1989 period, providing further evidence of the overall economic slowdown. Nonetheless, this year's gain leaves service producing job totals at another record high.

Johnstown Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	89.2	91	92	91
Unemployed, no. of residents	6.4	63	68	66
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	95.6	88	89	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	81.0	92	92	90
Srv. Prod. only, no. of jobs	60.3	111	111	110
Goods Prod. only, no. of jobs	20.7	60	60	59
Hrs. worked by production workers in mfg., ave. weekly	38.8	100	97	100
Industrial electric power sales	***	171	166	140

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	26.7	−24
Nonresidential contracts only	35.4	−34

[1] Cambria and Somerset Counties

The metro area's goods producers are managing, just barely, to maintain employment levels. Through the first nine months of this year, jobs in these establishments are up by 300 and stand at just over 20,000, a job reading which is quite consistent with totals from the past seven years. The manufacturing sector appears to be holding its own on the jobs front while electricity sales to industry, a proxy for factory production, have trended erratically up over the past year. Although it has held steady so far this year, the average factory workweek, a leading indicator of manufacturing hiring trends, declined throughout 1989 so that it is hovering near its lowest level in four years after all of the monthly gyrations are averaged out. Construction activity appears to have slackened a bit this year. The value of contract awards is off for both residential and nonresidential projects. Building-related jobs are up by a slight 100 from a year ago.

The end result of all of these industry and sectoral trends is that total nonfarm jobs are up just 0.8 percent so far this year, the weakest showing in five years, but still marginally better than the State's 0.5 percent gain. In a nutshell, the economy is clearly showing signs of softening in the region, with more of the same expected in the coming months. While it appears too early to declare the region in a recession, or even that a recession is imminent, the metropolitan area will certainly not match overall growth rates recorded in previous years.

Pittsburgh-Beaver Valley

There is clear evidence of an economic slowdown in the five counties of the Pittsburgh-Beaver Valley metropolitan region. Most indicators, whether pertaining to employment and jobs, unemployment, construction activity, or retail sales, suggest that the expansion which has been in place since, roughly, 1983, may be nearing an end. As an aside, the inflationary impacts of the Mid East crisis do show up in the August consumer price index for the region. During the first half of the year, the CPI rose 4.4 percent from a year ago. In August, it was up 5.2 percent. The energy component of the index surged at a 12.2 percent clip from August 1989 to August 1990.

Employment and unemployment trends throughout the region show some worrisome signs. In four of the five counties, third quarter jobless rates are up from a year ago. (Westmoreland is the exception.) Employment is down in Beaver County over the same period. It appears as if employment will decline for the 10th time in the past 11 years after the books are closed on 1990. Employment is up less than 1 percent during the year ending with the third quarter in each of the four Pittsburgh metro area counties. Over the 1983-1989 period, employment growth averaged 1.5 percent each year.

It appears that nonagricultural job levels have settled into a holding pattern in recent months. Through the first nine months of the year, however, jobs are up 1.9 percent in the Pittsburgh portion of the region, a gain which is quite impressive relative to Statewide trends and with respect to recent historical trends. Growth does show signs of easing as 1990 unfolds. In the first quarter, nonfarm jobs were up 2.3 percent compared to the same period a year ago. In the third quarter, growth had slipped to 1.5 percent. Furthermore, seasonally adjusted job readings declined in both the second and third quarters. In Beaver County, the third quarter finds establishment jobs unchanged from a year ago.

Much of the region's strength remains concentrated in the service producing industries. On a year-to-date basis, job

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	949.6	107	109	107
Beaver County	54.8	63	65	64
Unemployed, no. of residents				
Pittsburgh[1]	40.1	64	72	65
Beaver County	4.1	62	70	61
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.2			
Beaver County	7.0			
Civilian labor force, no. of residents				
Pittsburgh[1]	989.7	104	107	104
Beaver County	58.9	63	65	64
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	913.7	104	105	103
Beaver County	49.4	65	65	65
Srv. Prod. only, no. of jobs				
Pittsburgh[1]	740.5	124	124	121
Beaver County	37.9	111	112	110
Goods Prod. only, no. of jobs				
Pittsburgh[1]	172.8	62	62	62
Beaver County	11.6	27	27	27
Hrs. worked by production workers in mfg., ave. weekly				
Pittsburgh1	42.0	n.a.	n.a.	n.a.
Beaver County	43.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	63	62

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only		
Pittsburgh[1]	397.5	0
Beaver County	24.8	+27
Nonresidential contracts only		
Pittsburgh[1]	456.0	−28
Beaver County	11.7	−43

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

levels are up 1.1 percent in Beaver County and 2.6 percent in the four-county Pittsburgh region. In the retail trade industry, job levels are up by 100 in Beaver County and 2,000 in Pittsburgh. However, retail sales are down 4 percent, in nominal terms, through August of this year. Auto dealers account for the bulk of the decline in sales activity.

On the goods producing side, industries are struggling to maintain current job readings. Construction indicators are mixed. It appears that both residential and nonresidential construction activity is down in the Pittsburgh portion of the region. On the residential side, the decline recorded so far this year in the number of new housing units authorized by permit is concentrated in Allegheny County. The residential sector shows some signs of growth in Beaver County.

Recent indicators of the national economy's health suggest that much of the economy's weakness is concentrated in manufacturing and construction. Hence, these industries are expected to act as an anchor on overall economic growth. The next several months are likely to bring additional signs of weakness in these industries throughout southwestern Pennsylvania.

State College

Recent trends prove that Centre County is not immune to the downturn evident in the economy nationwide and throughout the State. At the same time, they suggest that the current slump is not quite as pronounced in the State College metro area relative to much of the rest of the State. For instance, nonfarm jobs are up 2.6 percent this year, more than five times greater than the growth rate turned in by the State as a whole. Still, it represents a rate of expansion which is down more than one full percentage point from the average growth rate in the previous seven years. The bottom line, however, is that the region still maintains record numbers of jobs.

The metro area's service producers continue to generate the bulk of all new jobs. So far this year, 1,300 new positions have been added to payrolls in these industries compared to the same period in 1989. However, trends *in* 1990 show that, after adjustment for normal seasonal variations, job levels have held essentially steady through the first three quarters of the year, suggesting that these establishments are in store for a period of relatively slow growth in coming months as the economic slowdown takes hold. That slowdown is already evident in the goods producing sector, where job levels are unchanged from mid 1989 readings after seasonal adjustment. Construction, which arguably led the region's rapid economic expansion in the mid and late 1980s, shows signs of slowing. Both residential and nonresidential construction contract values are down considerably so far this year.

State College Area[1]

	Ave. mo. value 3 Q '90	Average monthly index seas. adj. (1977 = 100) 3 Q '90	2 Q '90	3 Q '89
Employment *(in thousands)*				
Employed, no. of residents	63.6	150	154	150
Unemployed, no. of residents	3.3	129	124	102
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	66.9	149	153	147
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	59.2	141	142	139
Srv. Prod. only, no. of jobs	47.3	142	142	139
Goods Prod. only, no. of jobs	12.0	137	142	138
Hrs. worked by production workers in mfg., ave. weekly	41.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	150	144	138
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	39.3	-30		
Nonresidential contracts only	36.7	-53		

[1] Centre County

The end result of all of these trends is minimal, though still positive, growth on the employment front, with some upward pressure on joblessness. Joblessness had been declining for six consecutive years in the region, through 1989. However, 700 more residents have been counted among the unemployed during the first nine months of this year relative to the same period a year ago. On the employment front, the 1.5-2 percent increase likely to transpire in 1990 (it was up 1.6 percent through September), will be the weakest in eight years.

Northwestern Quarter

Erie

Except for 1987's 0.6 percent gain, employment growth in Erie County ranged from 1.4 to 3.7 percent over the 1983-1989 period. So far this year, growth comes in at just 0.8 percent, a trend which is clearly sub-par with respect to the region's performance over much of the recovery period. Still, despite the fact that employment growth is slowing, more Erie County residents are counted among the employed than at any other time in history. This year's increase translates into an absolute gain of 1,000, not nearly enough to absorb the net inflow into the labor force. The end result is a rise in unemployment totaling 800.

Based upon job trends, the metro area's service producing industries are hardly feeling the impacts of the national economic slowdown. So far this year, jobs in this sector are up 1.9 percent, just barely below the 2.3 percent average from the 1982-1989 period. With 1,300 new positions so far this year, the services industry continues to lead the overall sector in terms of job growth. Retail trade jobs are up by just 100 so far this year, a gain which is down from the annual increase in the neighborhood of 400 new jobs averaged during the previous seven years. Perhaps the slowdown in retail sales evident Statewide is also occurring in Erie County.

On the goods producing side, trends so far this year suggest that job levels have, temporarily, topped out. On a seasonally adjusted basis, third quarter job levels are virtually unchanged from first quarter readings. Still, year-to-date trends show a nice gain of 1,000 jobs, which, in percentage terms, works out to 2.5 percent, a rather impressive showing. So, while 1990 perhaps represents the early stages of a holding pattern in terms of goods producing jobs, there is no denying that the late 1980s were fairly good in terms of job performance. Sales of electricity to industrial customers, a qualitative measure of production trends in the factory sector, have stood at a post-recession high over the course of the past six months. The news on the construction front is mixed. While job levels and the value of nonresidential construction contracts are up this year, the latter by 12 percent, residential contracts are down one-fourth in value.

At least a fair portion of the recent news in Erie County

Erie Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	128.7	114	115	112
Unemployed, no. of residents	6.3	72	74	69
Rate, seasonally adjusted	5.0			
Civilian labor force, no. of residents	135.1	111	112	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	120.6	109	109	107
Srv. Prod. only, no. of jobs	79.2	124	123	122
Goods Prod. only, no. of jobs	41.2	88	88	86
Hrs. worked by production workers in mfg., ave. weekly	43.5	105	104	106
Industrial electric power sales	***	119	122	112

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	52.5	−25
Nonresidential contracts only	45.3	+12

[1] Erie County

has been positive. While employment and unemployment conditions show signs of softening, nonfarm job trends are holding their own. On the surface, recent trends in the region do not support talk of a recession. At the same time, it does not appear likely that the metro area will come close to matching overall trends from the relatively robust late 1980s.

Sharon

Mercer County continues to turn in a relatively impressive showing in terms of the overall economy. While the national economic slowdown is concentrated in the goods producing sector, these industries appear to be holding their own in the Mercer County metro area. The third quarter finds jobs in these establishments up by 600 from a year ago. The 13,600 positions in these industries translate into the highest quarterly total since 1982. Job totals in the construction and mining category are up by 100 from a year ago while manufacturing industries have increased job levels by 500. Statewide, the trend in manufacturing jobs has been down of late.

At the same time, service producing job levels stand at their highest readings on record. For the year, jobs are up 1.7 percent, a favorable trend in light of the 1.2 percent gain turned in by the State as a whole. Furthermore, this represents marginal improvement over the previous six years when job gains in these industries averaged 1.5 percent in the region. The end result of all of these trends is that total nonfarm jobs in the third quarter of 1990 represent the highest reading in approximately nine years.

The region's relatively strong economic showing is evident in labor force-related developments. Employment growth during the year ending with the third quarter of this year, at 3.1 percent, is the third strongest in the Commonwealth, trailing only Pike and Wayne Counties. In fact, while the overall employment situation appears to be deteriorating a bit Statewide, employment growth shows signs of picking up in the Sharon metro area as 1990 unfolds. Still, despite the uptrend in employment, joblessness in the region is on the rise. Third quarter's 4.6 percent jobless rate is up from 4 percent a year ago.

Sharon Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	50.1	103	102	100
Unemployed, no. of residents	2.4	60	74	51
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	52.5	99	100	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.1	96	96	95
Srv. Prod. only, no. of jobs	30.5	113	112	110
Goods Prod. only, no. of jobs	13.6	75	72	72
Hrs. worked by production workers in mfg., ave. weekly	43.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	119	106	113

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	13.1	− 4
Nonresidential contracts only	16.5	+35

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

In every month but one since November 1989, the unemployment rate in the Harrisburg-Lebanon-Carlisle metro area has come in above year-ago readings. This year's third quarter finds the jobless rate, at an unadjusted 4.2 percent, up 0.6 percentage point from a year ago. The uptrend in joblessness is occurring at the same time that employment continues to expand. Through the first nine months of this year, employment is up by 4,100 residents compared to the same period in 1989. Coupled with a rise in the labor force totaling 6,600 over the same period, this translates into a rise of 2,500 in the number of unemployed. Prior to this year, unemployment had been trending down over much of the previous six years.

The region's service producing industries continue to add jobs at a healthy clip. So far this year, jobs have averaged 251,200 per month, up by 7,600 or 3.1 percent from a year ago. This is nearly identical to the average annual gain from the previous seven years. The service industry accounts for 3,300 of those new jobs. Retail trade accounts for an additional 1,000 new positions. This represents an increase which is about two-thirds of the average annual gain from the 1982-1989 period, suggesting that the weakness evident in

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	328.6	128	129	126
Unemployed, no. of residents	14.4	93	88	79
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	343.0	126	127	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	322.1	130	129	126
Srv. Prod. only, no. of jobs	254.2	140	138	135
Goods Prod. only, no. of jobs	67.8	102	102	102
Hrs. worked by production workers in mfg., ave. weekly	40.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	78	74	72

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	167.8	− 25
Nonresidential contracts only	302.8	+162

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

recent retail sales trends in the State may also apply to the four-county metro area.

Goods producing job totals are holding steady, just as they have since 1988. Previous growth, much of it occurring in the mid 1980s, leaves job totals hovering at or near their highest readings in a decade.

Construction indicators are mixed. Job levels are up by about 1,000 from a year ago in averaging 14,900 through this year's first three quarters. While the value of residential construction contract awards is down one-fourth this year, awards have surged on the nonresidential side. However, the manufacturing situation shows signs of weakness. Year-to-date job levels are off by 900 and 100 in durables and nondurables, respectively. Industrial electricity sales trended down throughout much of 1988 and 1989. This year, they have settled in at a relatively low plateau.

In light of expectations for a sluggish national economy, the metro area's impressive showing turned in over much of the mid and late 1980s is not likely to be repeated in the foreseeable future. At the same time, conditions could be considerably worse some 7-8 years into the economic expansion. Overall growth is expected to remain positive, and probably at a pace considerably stronger than in much of the rest of the Commonwealth.

Lancaster

Recent trends on the nonagricultural jobs front point to some softening in the Lancaster County economy. While 1990 will surely result in another record number of nonfarm jobs, growth so far this year, at 0.5 percent, is down considerably from the 3.3 percent average from the previous seven years. Furthermore, after out-performing the State by a wide margin, this year's job growth barely matches that turned in by the Commonwealth.

There are some worrisome signs in the goods producing sector where job levels have trended down through the first nine months of this year. Third quarter's 70,700 jobs in these establishments is the lowest reading for the July-September period in four years. The County's largest durable goods producer (in terms of jobs), fabricated metals, maintains 400 fewer jobs so far this year compared to 1989. Printing and publishing, the largest industry on the nondurable goods side, has added 200 jobs. Electricity sales to industrial customers, a proxy for manufacturing production, are perhaps best characterized as moving sideways in recent months. The average factory workweek, a leading indicator of manufacturing hiring trends, has trended down since the beginning of 1989, despite a minimal uptick in this year's third quarter. This suggests that manufacturing job levels, which are down by 1,500 so far this year, are not likely to reverse course anytime soon.

The third quarter brings with it preliminary indications that some of the economy's weakness is beginning to show up in the service producing sector, though only time will tell if this is the start of a trend. After seasonal adjustment, third quarter job readings in these industries are down from the previous quarter for the first time since the January-March 1985 period. Through the first nine months of the year, jobs in these establishments have averaged 118,600, up 2.2 percent from a year ago. This is only about one-half the gain averaged during the previous seven years.

Lancaster Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	216.6	135	138	136
Unemployed, no. of residents	8.4	101	100	82
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	225.0	133	136	134
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	189.5	133	134	133
Srv. Prod. only, no. of jobs	118.8	153	154	151
Goods Prod. only, no. of jobs	70.7	109	110	112
Hrs. worked by production workers in mfg., ave. weekly	40.3	102	101	102
Industrial electric power sales	***	146	142	142
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	154.1	−38		
Nonresidential contracts only	126.2	+20		

[1] Lancaster County

Perhaps the most worrisome economic signs are found in recent employment/unemployment trends. In seven of this year's first nine months, employment levels have been below year-ago readings. At an unadjusted 3.7 percent in the third quarter, the region's jobless rate was the fifth lowest among the State's 67 counties. At the same time, it is up from 3 percent a year ago. These trends suggest that several years of nearly non-stop improvement in terms of employment and unemployment have arguably come to an end, though recent developments should not be couched in terms of a recession.

Philadelphia

Economic trends are down across the board in the eight-county Philadelphia metropolitan area. Furthermore, there is little sign of relief in the short-term outlook. The sluggishness expected nationwide will make it difficult for the region to move forward. Additionally, Philadelphia's well-publicized financial problems further clouds the outlook. At best, the region will show minimal growth in the coming months.

Trends so far this year on the employment/unemployment

Philadelphia Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	2,323.2	122	123	122
Unemployed, no. of residents	110.0	61	61	52
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	2,433.1	117	118	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,193.6	120	120	120
Srv. Prod. only, no. of jobs	1,733.7	132	132	131
Goods Prod. only, no. of jobs	461.0	89	90	91
Hrs. worked by production workers in mfg., ave. weekly	40.2	102	101	102
Industrial electric power sales	***	110	110	112
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	924.0	−31		
Nonresidential contracts only	1,175.8	−26		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

front follow the Statewide pattern. Employment growth is showing signs of easing with some upward pressure on joblessness resulting. Third quarter employment readings are down from a year ago in each of the five Pennsylvania counties. Each is also characterized by an increase in the jobless rate. For the year, employment in the metro area has averaged 2,319,000, down by 19,800 from the first nine months of 1989. In that the labor force is down by 4,600 (a trend which, taken alone, is indicative of a slowdown), the end result is an uptick in joblessness in the neighborhood of 18,900 residents on a year-to-date basis.

The other major indicator of employment trends, job levels in nonagricultural establishments, also points to a stagnating economy. Readings are just barely above a year ago and the seasonally adjusted total has dipped in both the second and third quarters. During the 1982-1989 period, job growth averaged 2.1 percent on an annual basis. The increase so far this year falls in the neighborhood of 0.1 percent.

The weakness evident in the economy appears to be widespread, and even includes at least portions of the service producing sector. Retail sales are up 4.9 percent through August. In light of the 5.5 percent gain in overall consumer prices so far this year, it appears quite probable that the real volume of sales is actually down. (As an aside, the energy component of the consumer price index surged at a 13.1 percent clip in September as the inflationary impacts of the Middle East crisis are apparently being felt in the region). Retail trade jobs are actually down by 1,800 so far this year after several years of practically non-stop growth. Job levels in the service producing sector as a whole are up just 0.9 percent, a bit below the 1.2 percent gain turned in by the State.

The news certainly is not any better on the goods producing side. Job levels are well on their way to declining for the second consecutive year. Job trends in the factory sector remain especially worrisome as the year-to-date decline totals 8,900. Electricity sales to industry have been in a holding pattern for approximately three years, suggesting that production levels are likely only holding steady in the manufacturing sector.

All three indicators of construction activity — jobs, the value of contract awards, and permit authorizations — point to some weakness in building-related activity. Job levels so far this year are down by 2,600. Both residential and nonresidential contract valuations are down by more than one-fourth. On a year-to-date basis, the number of new housing units authorized by permit are down from last year. For all five Pennsylvania counties combined, permits are off 27 percent. On the nonresidential side, the decline works out to 5 percent.

Reading

Nationwide, the current economic slowdown is concentrated in the goods producing sector. Trends through the first nine months of 1990 in Berks County suggest that these same industries are holding back overall economic growth in the metropolitan area, as well. For the year, job levels in these industries are down 1,200 from the same period a year ago. Typically, job levels recede a bit in some of the region's major manufacturing industries in the summer months as activity slows. This summer, however, the slowdown appears to have been a bit more pronounced in some industries, a trend which can be perceived as a further sign of weakness in the economy. On a seasonally adjusted basis, third quarter goods producing jobs stand at their lowest total in more than seven years.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	170.2	124	127	124
Unemployed, no. of residents	8.4	102	94	75
Rate, seasonally adjusted	5.0			
Civilian labor force, no. of residents	178.6	122	125	121
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	155.1	118	119	118
Srv. Prod. only, no. of jobs	101.0	134	134	130
Goods Prod. only, no. of jobs	54.1	97	100	100
Hrs. worked by production workers in mfg., ave. weekly	41.1	105	105	105
Industrial electric power sales	***	143	142	142
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	86.5	−32		
Nonresidential contracts only	61.6	−67		

[1] Berks County

As is the case in several other regions in the State, the third quarter brings with it some signs that the service producing sector is beginning to feel the impacts of the economic slowdown. While job levels are up so far this year compared to the first three quarters of 1989 by an amount consistent with average gains from previous years, some *within-year* slowing is evident so far in 1990. On a seasonally adjusted basis, job levels in September are up 1.5 percent from January readings. During the previous seven years, the typical January-September gain fell in the neighborhood of 2.3 percent. The region's two major service producing industries, services and retail trade, continue adding jobs at a fairly healthy clip.

Hence, it is perhaps best not to read too much into preliminary evidence of a slowdown in this sector based upon trends over a relatively short period. The severity of the service producing sector's slowdown, if there even is one, will become more evident as the economy works its way through 1991.

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	212.7	136	139	137
Unemployed, no. of residents	10.2	103	102	90
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	222.9	134	137	134
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	179.8	127	128	127
Srv. Prod. only, no. of jobs	109.5	145	146	142
Goods Prod. only, no. of jobs	70.3	106	107	109
Hrs. worked by production workers in mfg., ave. weekly	41.5	101	100	102
Industrial electric power sales	***	106	105	109
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	164.1	−12		
Nonresidential contracts only	84.7	+49		

[1] Adams and York Counties

As of right now, it is doubtful that trends will deteriorate considerably.

The most noticeable signs of weakness in the region's economy are found in recent labor force developments. Third quarter employment is down 0.5 percent from a year ago. There was a pronounced drop in third quarter employment after seasonal adjustment, to its lowest level since the final quarter of 1988. The jobless rate, at an unadjusted 4.7 percent, is up 1.3 percentage points from a year ago. Statewide, the jobless rate is up by about one-half that amount. Still, through the first nine months of the year, employment is hovering at or near record high readings and joblessnes still remains quite low relative to much of the rest of the State. While there are definite signs of weakness, overall conditions could be considerably worse approximately eight years into the current economic expansion.

York

For the fourth time in the past six quarters, seasonally adjusted employment in the York metropolitan area is down during the July-September period. In unadjusted terms, employment is off by 1,600 from second quarter readings. A gain of 3,500 is typical for this time of the year based upon historical seasonal trends. Partly as a result of the sluggish showing on the part of employment, joblessness is on the rise. Through the year's first nine months, the number of residents officially listed as without a job is up by 1,900 compared to the same period in 1989.

Further signs of the weak employment situation are apparent in recent nonfarm job trends. For the year, jobs are up 0.7 percent, roughly one-fourth of the averge increase from the previous six years. Even the service producing sector is showing some signs of softness. After seasonal adjustment, jobs in these industries were unchanged in the second quarter from the first three months of the year. The third quarter brought with it a decline in adjusted job totals. Still, the bottom line is that these industries are home to 3,200 more jobs this year than during the same period a year ago, so it is best not to look too negatively upon recent trends.

The situation on the goods producing side is a different story. There has been a pronounced downtrend in jobs in these establishments since the beginning of 1989. Between January 1989 and September 1990, seasonally adjusted goods producing jobs are off by 3,800. Manufacturing accounts for the bulk of recent job losses. So far this year, job readings are down 2,500 from 1989 readings. Trends in both the average factory workweek and sales of electricity to industrial customers also point to some weakness in the factory sector. Construction indicators are mixed. While job levels and the value of nonresidential contracts are up, residential contract values are down. The number of new housing units authorized by permit in Adams County are unchanged from a year ago through the first nine months of the year.

In all likelihood, overall trends will change very little in coming months. At best, the region will realize minimal overall economic growth. A rebound in the pace of economic growth can, for the moment, confidently be ruled out. The fundamentals for a reversal, most notably a healthy national economy, are simply not in place.

— *William D. Anderson*

Pennsylvania Business Survey

November 1990 Vol. 31, No. 11

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802.
Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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Pennsylvania Business Survey

December 1990

IF ANYTHING, ECONOMIC SLOWDOWN IS WORSENING

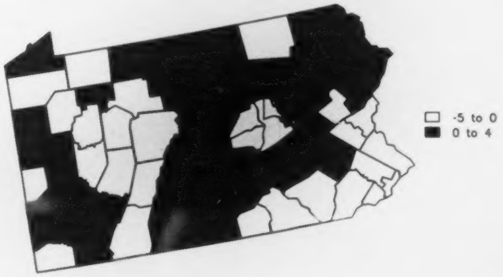
The Pennsylvania economy continues to struggle, with no signs of improvement in the offing. Activity in the goods producing sector appears to be on the decline. While still growing, the service producing sector is not coming close to matching the rate of expansion recorded in previous years. The national economy is not much better as talk of a recession begins to mount. A consensus which argues that U.S. economic growth turned negative in late summer or early fall appears to be developing.

Some analysts contend that the differences in economic growth between the eastern and western halves of the Commonwealth are beginning to narrow. County employment trends through August of this year provide some qualified support for such a contention, but talk of a reversal of trends from recent years is still premature. The difference in economic growth during the 1983-1989 period is clearly evident in employment growth "differentials" (chart). These differentials refer to the difference between average annual employment growth at the county level and Statewide growth. Positive numbers indicate above average growth while negative differentials point to a sub-par performance. A majority of counties in the eastern half of the State exhibited above average employment growth rates during the period while only three western Pennsylvania counties are characterized by relatively strong employment growth. Trends so far in 1990 show that employment growth is a bit more evenly spread across the State. A good portion of southeastern Pennsylvania is now characterized by sub-par growth while several counties in the west are now turning in employment growth rates in excess of Statewide averages (chart). These trends suggest that there has been a shift in relative employment growth, but that shift does not appear to constitute a reversal.

It is important to keep in mind that while the west, as a whole, may be performing more on par with the eastern counties, this is occurring while employment growth statewide is on the decline (chart). In fact, **during the first eight months of this year, only three counties are maintaining employment growth rates in excess of the 1983-1989 average.** Employment growth is down several percentage points in several southeastern counties. These findings suggest that **the west is not necessarily "catching up" with the east, but that the east is perhaps "coming down" to the west.**

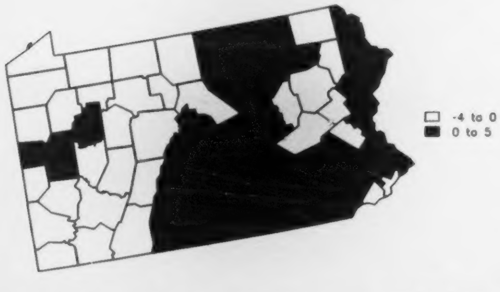
An examination of recent economic trends Statewide suggests that the overall employment/unemployment situation

1989-1990 RESIDENT EMPLOYMENT GROWTH
DIFFERENTIALS BY COUNTY
(differentials in percentage points)



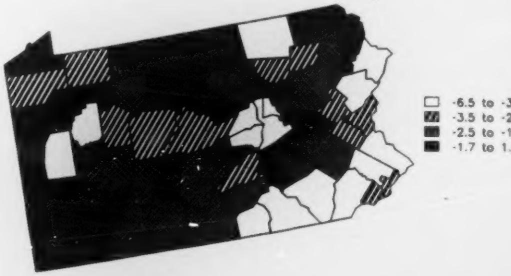
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

1983-1989 RESIDENT EMPLOYMENT GROWTH
DIFFERENTIALS BY COUNTY
(differentials in percentage points)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

CHANGE IN RESIDENT EMPLOYMENT
GROWTH BY COUNTY
(percentage points; 89-90 growth minus 83-89 growth)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

continues to show signs of softening in October. Specifically, the jobless rate for the month, at a seasonally adjusted 6.1 percent, stands at its highest level in nearly four years. **Initial claims for unemployment insurance, as they have since the beginning of 1989, continue to track upward, suggesting that joblessness is likely to remain a problem in the future.** Additionally, employment levels are essentially unchanged from a year ago. **Overall, the employment situation is best characterized as being at a standstill.**

Nonfarm job trends are only slightly better. For the year, jobs in nonagricultural establishments in the State are up a minimal 0.4 percent, down from a 2.1 percent average annual gain over the 1983-1989 period. Furthermore, **growth has eased as 1990 has unfolded so that, as of October, nonfarm jobs are up by a minimal 4,000 from a year ago. Most likely, growth will turn negative in the months ahead.**

Pennsylvania's economic sluggishness is apparent in recent retail sales trends. Through September, sales are up just 1.5 percent while retail trade jobs have been essentially unchanged from year-ago readings so far in 1990. This year's gain in retail sales is not nearly enough to keep up with the rise in overall prices. Much of the weakness is concentrated in the durable goods categories, including auto-related sales. Additionally, the number of new car and small truck registrations in Pennsylvania continues to track down. Retail trade job trends in the next few months will likely shed a good deal of light on underlying trends in the industry. **In light of the general sluggishness evident in retail sales in recent months, the year-end seasonal spike in retail trade jobs is likely to be a bit less pronounced this year than is normally the case.**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	Sept.	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,149	5,175	5,171	5,126	5,133	5,127	112.3	112.4	112.3
Service Producing									
No. of wage and salary jobs (thous.)	3,840*	3,871	3,843	3,843*	3,847	3,819	128.5*	128.6	127.7
Transportation and public utilities	256	257	257	255	254	254	97.5*	97.3	97.0
Wholesale trade	282	282	281	282	282	282	127.0*	127.2	127.0
Retail trade	893	904	904	895	897	898	124.8*	125.1	125.1
Finance, insurance & real estate	296	293	296	295	294	297	135.8*	135.1	136.4
Service & miscellaneous	1,422*	1,424	1,397	1,413*	1,416	1,390	163.8	164.2	[illegible]
Federal government	141	139	142	141	140	143	110.1	109.3	111.8
State & local government	550*	571	560	562	563	552	96.5	96.6	94.7
Goods Producing									
No. of wage and salary jobs (thous.)	1,306*	1,302	1,324	1,283*	1,286	1,307	81.5*	81.7	83.1
Construction	249	248	251	233	234	237	126.8*	127.4	128.9
Mining	27*	28	28	27	27	27	56.0	56.2	57.1
Manufacturing	1,030	1,027	1,045	1,022	1,026	1,043	76.2	76.4	77.7
Durable goods	582	580	594	579	580	594	71.5	71.7	73.4
Nondurable goods	448	447	451	444	446	450	83.4	83.8	84.5
Ave. wkly. hrs. worked by prod. workers	41.2*	40.8	40.9	41.0	40.8	40.9	103.8*	103.1	103.5
Total wkly. person-hours worked (mils.)	29.3*	28.9	29.5	29.1	28.8	29.5	75.7*	75.0	76.7
Total wkly. payroll (mil. dols.)	326.2*	321.5	317.1	323.6	321.1	316.9	144.0*	142.9	141.1
Average hourly earnings (dollars)	11.14	11.13	10.74	11.11	11.15	10.76	189.7	190.6	183.9
Average weekly earnings (dollars)	458.97	454.10	439.27	457.14	454.55	439.75	197.6*	196.5	190.1
Steel production (thous. tons)	1,022*	1,074	883	n.a.	n.a.	n.a.	53.1*	50.1	41.3
Industrial electric power sales (mil. kwh)	3,782	4,030	3,709	3,679	4,014	3,673	99.6	108.7	99.5
Mining									
Anthracite coal (thous. net tons)	323	354	373	297	264	290	60.7	54.0	59.4
Bituminous coal (thous. net tons)	6,346	7,198	6,533	6,355	6,448	5,927	90.1	91.4	84.0
Construction contracts awarded (mil. dols.)									
Total	777.9	855.5	817.7*	895.5	757.9	743.2*	278.3	235.6	231.0*
Residential building	270.6	347.9	372.2*	255.8	319.7	335.9*	181.8	227.2	238.7*
Nonresidential building	299.2	409.9	354.2*	336.8	301.2	282.3*	310.4	277.6	260.2*
Nonbuilding (utilities and public works)	208.1	97.7	91.3*	302.9	137.0	125.0*	417.9	189.1	172.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,561	5,550	5,560	5,525	5,517	5,523	115.0	114.8	114.9
Unemployed									
No. of persons (thous.)	297	346	257	320	362	274	79.8	90.3	68.3
Rate (percentage of labor force)	5.1	5.9	4.4						
Rate, seasonally adjusted				5.5	6.1	4.7			
Civilian labor force, no. of persons (thous.)	5,858	5,897	5,817	5,845	5,879	5,797	112.3	112.9	111.3
Initial claims for unemployment benefits	73,926	102,998	87,258	112,348	115,373	101,441	78.5	80.6	70.9

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	Sept.	*Oct.*	*Oct.*	*Ago*	*Ago*
U.S. city average	132.7	133.5	125.6	0.6	6.3
Philadelphia	138.2	138.8	130.5	0.4	6.4
Pittsburgh	n.a.	129.6	121.7	n.a.	6.5

[1] Total includes workers on strike. * = figure revised n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

2

Q5

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	September	Pct. chg.	Year-to-date	Pct. chg.
Total	6,785	- 0.2	60,556	1.5
Durables	2,243	- 8.4	21,426	-2.4
Bldg. mat.	286	- 2.0	2,541	-1.1
Auto dlrs.	1,415	- 2.4	12,970	-3.4
Furniture	292	- 4.9	2,754	3.5
Other	248	-37.7	3,161	-4.2
Nondurables	4,542	4.5	39,130	3.8
Gen. mdse.	705	1.0	5,944	3.0
Food/grocery	1,443	5.3	12,640	3.2
Gas	464	17.8	3,677	5.8
Apparel	344	1.2	2,931	2.1
Eat/drink	827	- 1.4	7,258	3.6
Drugs	242	- 7.6	2,304	0.9
Other	517	16.4	4,376	8.5

Seas. adj. total:	
September	6,964
August	7,132

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
September	60,671	-12.4
1990 YTD	468,715	-11.2
12-month total	606,518	-13.1

Source: R.L. Polk & Co.

Construction activity is also weakening as the number of new housing units authorized by permit continue to plunge — they are down 22 percent so far this year. The value of construction contracts awarded also continues to track down, although the news was a bit more encouraging in October.

In light of the general weakness apparent throughout the Pennsylvania economy, it is not surprising to find that existing home sales in the Commonwealth are also fairly soft. For the year, they are down 11.6 percent compared to the first three quarters of 1990. In the third quarter, sales came in at a seasonally adjusted annual rate of 244,100, up from second quarter readings, but still off from a year ago. (*Beginning with this issue of the* Survey, *trends in existing home sales in Pennsylvania will be reported on a quarterly basis. Special thanks go to the National Association of Realtors for providing these data. This information is a welcome addition to the* Pennsylvania Business Survey *and will enable us to better track economic activity in the Commonwealth.)*

Although there appears to be some minimal improvement in October, most measures of manufacturing activity continue to point down. Interestingly, job and production trends remain on divergent paths (chart). While the long-term trend in factory jobs has been down throughout the economic recovery, manufacturing production has advanced nicely in recent years, though more recent trends suggest that production activity, at best, is holding steady.

New Pennsylvania building permit authorizations (percent change from year ago)

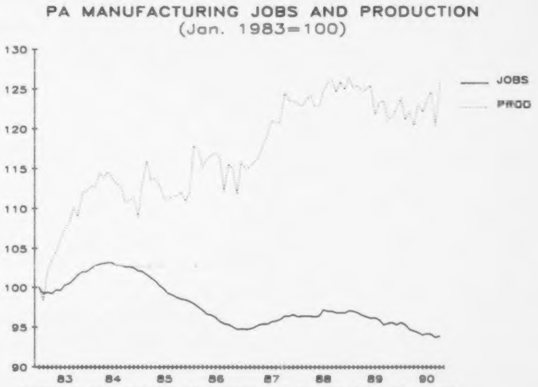
	Oct.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,200	-15.6	31,810	-22.2
Nonresidential	1,847	- 5.0	18,735	- 4.2

Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania existing home sales (seas. adj. ann. rates; thousands)

	Sales	Pct. change	
		Qt. ago	Yr. ago
1990:IIIQ	244.1	8.5	- 1.9
1990:IIQ	225.0	22.4	- 4.1
1990 YTD	217.6	n.a.	-11.6

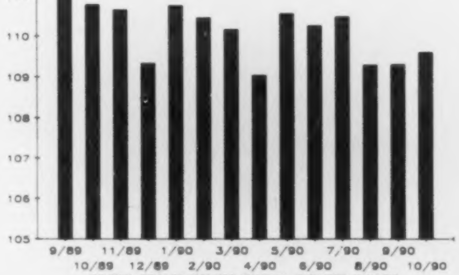
Source: National Association of Realtors.
Most recent data are preliminary.



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

If anything, the outlook for the Pennsylvania economy is worsening, along with prospects for the U.S. as a whole. The coincidental index of economic indicators is down in October for the fifth consecutive month. While the leading index is up slightly, trends over the past several months still point down (chart). Taken as a whole, trends in most economic indicators in recent months suggest that the probability of a recession has increased in the Commonwealth.

— William D. Anderson



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

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Personal Income Report

As hinted at in the previous review of Pennsylvania personal income trends (*PBS*, September 1990), second quarter trends provide additional evidence of a slowdown in the overall rate of economic growth in the region. If trends similar to those in the first half of the year continue, 1990 will bring with it the weakest personal income gain since 1983. Personal income growth during the April-June period, whether measured from the previous quarter or from a year ago, is down from first quarter trends. For the year, income is up 5.3 percent in averaging $216.3 billion. Over the 1983-1989 period, income growth came in at an average annual rate of 6.5 percent.

Several specific patterns, each of which points to a sluggish economy in the State, stand out. The growth in personal income from a year ago has receded in five consecutive quarters. After reaching a post-recession high of 8.4 percent in the first quarter of 1989, income growth has declined to an annual rate of 5.2 percent in the most recent period. After adjusting for inflation, total personal income has barely inched forward this year. The growth in "real" personal income of late has been the weakest of the recovery period. Finally, Pennsylvania's performance relative to the U.S. remains worrisome. So far this year, personal income is up 6 percent nationwide. The fact that one has to go back to 1975 to find a single quarter in which annual personal income growth in Pennsylvania exceeded U.S. norms clearly suggests that the Commonwealth has been losing ground to the nation as a whole for more than a decade.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

		Pct. change			Pct. change	
	Personal income	Qt. ago	Yr. ago	Nonfarm personal income	Qt. ago	Yr. ago
1990:IIQ	217,388	1.0	5.2	216,315	1.0	5.2
1990:IQ	215,230	1.7	5.4	214,094	1.6	5.5
1990 YTD	216,309	n.a.	5.3	215,205	n.a.	5.3

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

Pennsylvania Business Survey

December 1990 Vol. 31, No. 12

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
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Pennsylvania Business Survey

January 1991

ALL TRENDS ARE INDICATIVE OF RECESSION

(This portion of the Survey *is being kept brief this month in order to devote more space and resources to the introduction of the new Pennsylvania Indexes of Composite and Leading Indicators which is found on page two.)*

Any search for good economic news in Pennsylvania will be long and hard and will likely prove futile. At best, some indicators suggest that growth has simply slowed a bit. Other measures, however, point to actual declines in economic activity. Any attempt to shed the current situation in a positive light requires a great deal of creativity.

1990 is drawing to a close with the highest jobless rates in more than three years. October and November, with readings of 6.1 and 6 percent, seasonally adjusted, represent the first time that the unemployment rate has broken the six percent barrier in two consecutive months since the same two months in 1986. **Employment remains flat. While still on the rise, nonfarm job levels are growing at their weakest pace in several years**, 0.4 percent through the first 11 months of 1990. Goods producing jobs are on a downtrend, especially in the factory sector, while service producing payrolls are barely showing any gains.

Housing activity in the State continues to spiral downward. For the year, new housing units authorized by permit are off 22 percent. The value of residential construction contracts has been below year-ago totals in 14 consecutive months and 17 of the past 18. This sector's only hope is that the current downtrend in interest rates will have a positive impact, though such a scenario is not especially likely.

The growth in retail activity has slowed to a crawl. In that the dollar volume of sales are up by an annual rate of just 1.2 percent through October, it is quite likely that the physical volume of sales is actually down a bit assuming some upward pressure on prices. The trend in the number of new automobiles registered in the State remains down, though October brought with it some improvement relative to a year ago. Retail trade jobs have remained essentially flat for the past two years.

New Pennsylvania building permit authorizations
(percent change from year ago)

	Nov.	Pct. chg.	Year-to-date	Pct. chg.
Residential	2,428	−23.5	34,277	−22.0
Nonresidential	1,213	− 3.3	19,852	− 4.3

Source: U.S. Dept. of Commerce, Bureau of the Census.

Most measures of industrial production and activity are also showing signs of softness. Trends in the Pennsylvania Manufacturing Activity Index, although erratic, do point down. There appears to be no upward pressure on the average factory workweek, suggesting that hiring trends are not likely to reverse themselves in coming months.

In a nutshell, the news is not good. Furthermore, the situation is likely to get worse before it gets better. Already, some holes are starting to emerge in the consensus forecast which calls for the U.S. economy to begin perking up a bit near mid year. Such a development is perhaps best viewed as a best-case scenario.

— William D. Anderson

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	October	Pct. chg.	Year-to-date	Pct. chg.
Total	6,936	1.4	67,312	1.2
Durables	2,226	− 5.5	23,565	−3.0
Bldg. mat.	278	−12.3	2,811	−2.6
Auto dlrs.	1,326	− 0.8	14,193	−3.8
Furniture	306	− 1.6	3,056	2.8
Other	316	−19.0	3,505	−5.0
Nondurables	4,710	5.0	43,747	3.7
Gen. mdse.	750	0.1	6,687	2.5
Food/grocery	1,429	5.5	14,022	3.1
Gas	487	15.1	4,163	6.7
Apparel	341	− 5.3	3,262	1.0
Eat/drink	830	− 2.7	8,070	2.6
Drugs	267	− 1.1	2,577	0.9
Other	606	27.0	4,966	10.1

Seas. adj. total: October 6,962
September 6,784

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
October	53,128	12.3
1990 YTD	521,843	− 9.2
12-month total	612,347	−11.2

Source: R.L. Polk & Co.

NEW COMPOSITE INDEXES OF PENNSYLVANIA ECONOMIC ACTIVITY

Since early 1983, Penn State's CRBA has generated and published composite indexes of Pennsylvania economic activity. Composite indexes are designed to provide a broader measure of trends and activity then can be obtained by tracking individual indicators since they represent a combination of several different measures of the economy's health. These indexes are generated through a "smoothing" process which involves the weighting, standardizing, and averaging of monthly growth rates in component variables.

Two indexes have been reported in the *PBS* in recent years — a coincidental index designed to highlight current trends in the State's economy and a leading index designed to signal future trends. Indicators included in the coincidental index were resident employment, real earnings of factory production workers, and manufacturing job levels. The leading index consisted of the average factory workweek, the value of residential construction contracts, and initial claims for unemployment benefits. In part because of on-going struc-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	Oct.	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,178*	5,187	5,183	5,136*	5,138	5,134	112.5*	112.6	112.5
Service Producing									
No. of wage and salary jobs (thous.)	3,874*	3,892	3,863	3,850*	3,855	3,826	128.7*	128.9	127.9
Transportation and public utilities	258*	257	256	255*	254	254	97.3	97.1	96.9
Wholesale trade	282	283	282	282	283	282	127.2	127.6	127.1
Retail trade	905*	918	917	898*	897	897	125.2*	125.1	125.1
Finance, insurance & real estate	294*	293	296	294	294	297	135.4*	135.1	136.4
Service & miscellaneous	1,423*	1,424	1,397	1,415*	1,421	1,394	164.1*	164.7	161.6
Federal government	140*	139	142	141*	140	143	110.2*	108.9	111.7
State & local government	573*	579	566	564*	566	554	96.8*	97.2	95.0
Goods Producing									
No. of wage and salary jobs (thous.)	1,303*	1,294	1,319	1,286	1,284	1,309	81.7	81.6	83.1
Construction	248	243	246	234	235	238	127.4	127.7	129.4
Mining	28	27	28	27	27	28	56.2	55.8	57.5
Manufacturing	1,027	1,024	1,045	1,026	1,022	1,043	76.4	76.2	77.8
Durable goods	579*	578	594	580	577	593	71.6*	71.3	73.3
Nondurable goods	448*	445	451	446	445	450	83.9*	83.6	84.6
Ave. wkly. hrs. worked by prod. workers	40.8	41.2	41.4	40.8	40.7	40.9	103.1	103.0	103.5
Total wkly. person-hours worked (mils.)	28.9	29.1	29.9	28.8	28.7	29.5	75.1*	74.7	76.8
Total wkly. payroll (mil. dols.)	321.6*	325.2	322.2	321.3*	320.1	317.1	143.0*	142.4	141.1
Average hourly earnings (dollars)	11.12	11.18	10.79	11.14	11.15	10.76	190.5*	190.5	183.9
Average weekly earnings (dollars)	453.70	460.62	446.71	454.15	453.81	440.25	196.3*	196.2	190.3
Steel production (thous. tons)	1,074	992	757	n.a.	n.a.	n.a.	50.1	51.1	38.9
Industrial electric power sales (mil. kwh)	4,030	3,655	3,583	4,014	3,802	3,692	108.7	103.0	100.0
Mining									
Anthracite coal (thous. net tons)	354	310	339	264	277	297	54.0	56.7	60.8
Bituminous coal (thous. net tons)	7,198	6,065	6,012	6,448	5,999	5,922	91.4	85.1	84.0
Construction contracts awarded (mil. dols.)									
Total	855.5	968.7	752.8*	757.9	1214.3	831.9*	235.6	377.4	258.6*
Residential building	347.9	270.9	295.6*	319.7	298.2	339.1*	227.2	211.9	240.9*
Nonresidential building	409.9	305.5	364.2*	301.2	276.9	330.1*	277.6	255.2	304.3*
Nonbuilding (utilities and public works)	97.7	392.3	93.0*	137.0	639.2	162.7*	189.1	881.9	224.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,550	5,563	5,600	5,517	5,555	5,592	114.8	115.6	116.4
Unemployed									
No. of persons (thous.)	346	347	301	362	360	315	90.3	89.9	78.4
Rate (percentage of labor force)	5.9	5.9	5.1						
Rate, seasonally adjusted				6.1	6.0	5.3			
Civilian labor force, no. of persons (thous.)	5,897	5,911	5,901	5,879	5,915	5,907	112.9	113.6	113.5
Initial claims for unemployment benefits	102,998	120,995	100,857	115,373	120,996	101,287	80.6	84.5	70.7

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	Oct.	*Nov.*	*Nov.*	*Ago*	*Ago*
U.S. city average	133.5	133.8	125.9	0.2	6.3
Philadelphia	138.8	139.1	130.1	0.2	6.9
Pittsburgh	129.6	n.a.	121.7&	n.a.	6.5

[1] Total includes workers on strike. * = figure revised & figure for October 1989 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

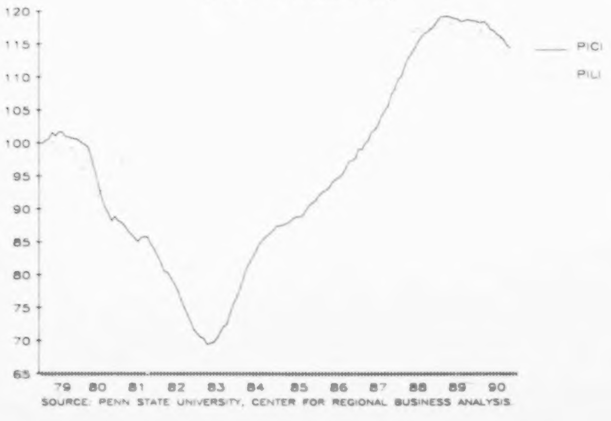
tural changes in the Pennsylvania economy and a concern over the predominance of employment-based measures of economic activity in the existing composities, the CRBA initiated and successfully concluded a review of the performance of the indexes and has instituted appropriate changes designed to improve their monitoring capabilities.

The leading index has performed fairly well in recent years, though some minor changes are warranted. The performance of the coincidental index has been sub-par. While the Pennsylvania economy expanded at a fairly healthy clip throught much of the latter half of the 1980s, the coincidental index depicted a flat trend. The tendency of the index to underestimate economic growth and activity is probably due to the fact that two of the three variables included in the composite were manufacturing-based. Hence, some major changes in the coincidental index have been instituted.

After a thorough statistical review of the relationships between trends in individual indicators and overall Pennsylvania economic activity, the following variables are included in the "new" Pennsylvania Indexes of Coincidential and Leading Indicators (PICI and PILI): PICI — nonagricultural job levels, a 12-month average of real value added in manufacturing (a measure of factory production from the Pennsylvania Manufacturing Activity Index), a 12-month average of real retail sales, and the U.S. coincidential index; PILI — initial claims for unemployment insurance, new housing units authorized by permit, and the U.S. leading index. These new composites take into account the growth in service producing activity in the State, utilize more "real" non-employment measures of activity, and provide for the influence of the national economy on Pennsylvania. It is felt that they represent much improved measures of economic trends over the old composities.

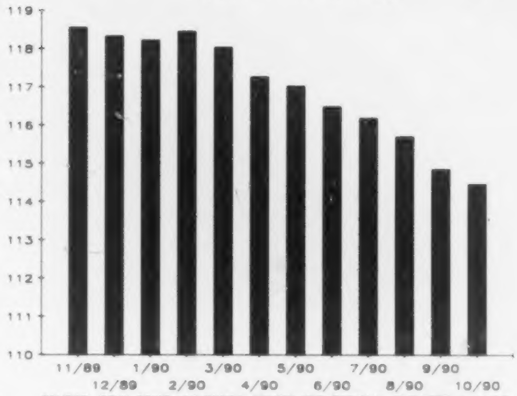
Trends in the PICI are quite consistent with trends in the overall economy. The composite clearly depicts the recessions of the early 1980s and the subsequent recovery. After holding fairly steady throughout 1989, the coincidential index has trended down in each of the past eight months. Hence, recent trends in the PICI suggest that the Commonwealth is, indeed, in a recession. The leading index is doing a commendable job of forecasting changes in economic conditions. Changes in the growth rate in the PILI tend to signal similar changes in PICI growth. The PILI correctly forecast the current slowdown. The index settled into a holding pattern in late 1987, signalling, by several months, the slowdown in economic growth and activity prior to the onset of recession. The composite began to trend down in May 1989, nine months prior to the start of the downtrend in the PICI. Based upon recent trends in the PILI, it has declined in each of the past five months, there is little likelihood of improvement in the near future (charts).

PICI AND PILI
(Dec. 1978=100)



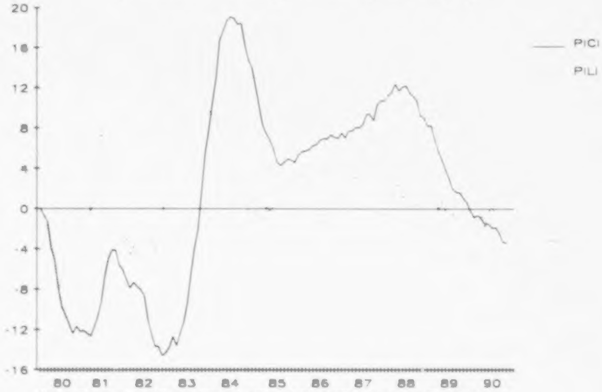
SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



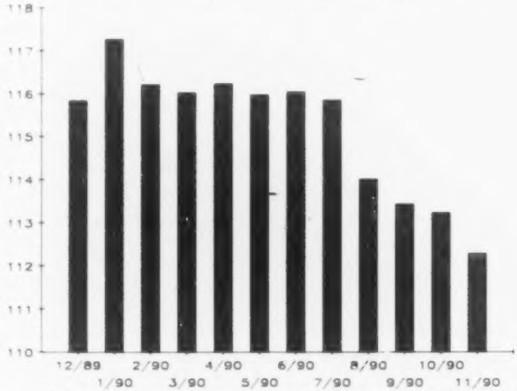
SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PICI AND PILI GROWTH
(percent change from year ago)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Beginning with this issue of the *PBS*, the new PICI and PILI will be reported. Two changes are important. First, the new indexes have an initial reading and a base of 100 in December 1978 compared with a January 1972 base under the old format. Secondly, the most recent readings of the coincidential index will trail the leading index by one month. Whereas this issue of the *Survey* reports PILI data for November (the same as with the old index), the PICI is only reported through October. However, what inconveniences may be caused by this are more than offset by the improved performances of the composites.

— *William D. Anderson*

(This is a summary of a paper presenting a more detailed analysis of the PICI and PILI and their construction. The availability of the paper will be announced in an upcoming issue of the Survey.)

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U.Ed. BUS 91-59

Pennsylvania Composite Indexes of Coincidental (PICI) and Leading (PILI) Indicators of economic activity

			Mo. pct. change	
	PICI	PILI	PICI	PILI
November 1989	118.6	115.7	0.0	0.1
December	118.3	115.9	−0.3	0.2
January 1990	118.2	117.3	−0.1	1.2
February	118.5	116.2	0.3	−0.9
March	118.0	116.0	−0.4	−0.2
April	117.3	116.2	−0.6	0.2
May	117.0	116.0	−0.3	−0.2
June	116.5	116.0	−0.4	0.0
July	116.2	115.9	−0.3	−0.1
August	115.7	114.0	−0.4	−1.6
September	114.9	113.4	−0.7	−0.5
October	114.5	113.2	−0.3	−0.2
November	n.a.	112.3	n.a.	−0.8

Source: Penn State University, Center for Regional Business Analysis.

Pennsylvania Business Survey

January 1991 Vol. 32, No. 1

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4362)

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Pennsylvania Business Survey

February 1991

YEAR-END REVIEW AND OUTLOOK

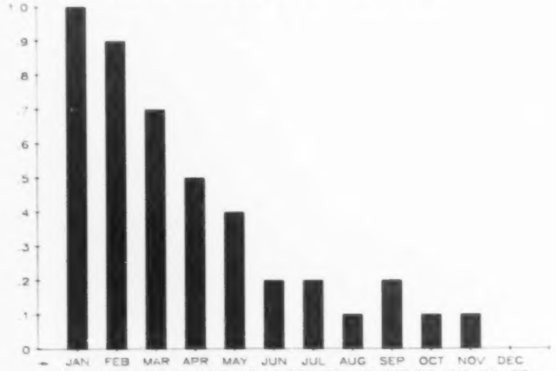
1990 Ushers in Recession; No Rebound Before Mid 1991

The second half of 1990 brought with it an end to several years of nearly continuous economic growth in Pennsylvania. Weakness abounds across a wide range of economic indicators. For sure, the economy's problems mounted as the year progressed. Nonfarm job growth trended down practically nonstop. By December, growth has been reduced to zero (chart). Through the first 11 months of the year, the Pennsylvania Index of Coincidental Indicators (PICI) trended down in each month but February. Clearly, the Commonwealth economy enters 1990 on its shakiest footing in several years.

Though no exact date can be specified, **it is safe to assume that the Pennsylvania economy was in a recession in the fourth quarter of 1990. On the plus side, economic growth during these initial months of the recession was not as weak as average growth during the back-to-back recessions over the 1980-1983 period.** This is true for several indicators, including resident employment, construction contract values, manufacturing output, and the PICI. The lone exception noted is retail sales growth. Growth in each of these five indicators in the fourth quarter was down considerably from that achieved during the 1983-1989 recovery period (chart). In a nutshell, the Pennsylvania economy is in a downturn, but conditions are not yet as weak as in previous bouts with recession.

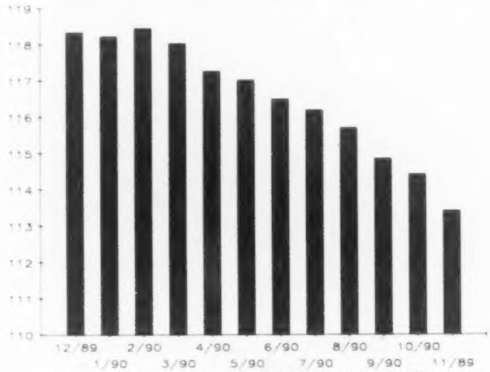
This recession is national in scope, impacting on all regions and states. It is doubtful that policymakers in Pennsylvania or elsewhere could have implemented policies to shield the Commonwealth or other states from the slump. Likewise, despite claims to the contrary, there are few, if any, short-term, "quick-fix" policies which any state can successfully implement to bring about an end to the current economic

1990 PA NONAGRICULTURAL JOB GROWTH
(percent change from year ago)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS

Pennsylvania Composite Indexes of Coincidental (PICI) and Leading (PILI) Indicators of economic activity

			Mo. pct. change	
	PICI	PILI	PICI	PILI
December	118.3	115.9	-0.3	0.2
January 1990	118.2	117.3	-0.1	1.2
February	118.5	116.2	0.3	-0.9
March	118.0	116.0	-0.4	-0.2
April	117.3	116.2	-0.6	0.2
May	117.0	116.0	-0.3	-0.2
June	116.5	116.0	-0.4	0.0
July	116.2	115.9	-0.3	-0.1
August	115.7	114.0	-0.4	-1.6
September	114.9	113.4	-0.7	-0.5
October	114.4	113.2	-0.4	-0.2
November	113.4	112.7	-0.9	-0.4
December	n.a.	112.8	n.a.	0.1

Source: Penn State University, Center for Regional Business Analysis.

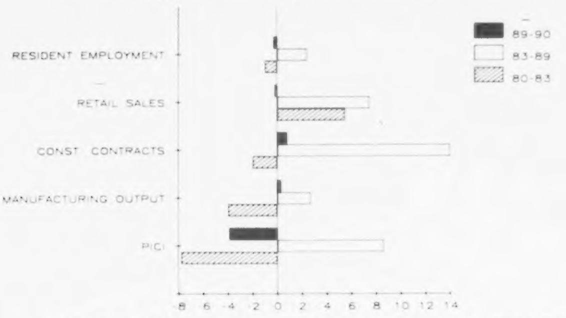
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100) *		
	1990		1989	1990		1989	1990		1989
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,186*	5,170	5,171	5,138	5,134	5,134	112.5*	112.5	112.5
Service Producing									
No. of wage and salary jobs (thous.)	3,892	3,895	3,867	3,855	3,855	3,827	128.9	128.9	127.9
Transportation and public utilities	257	258	257	254	255	254	97.1	97.4	96.9
Wholesale trade	283	283	282	283	284	283	127.8*	127.9	127.4
Retail trade	917*	926	927	897	894	895	125.1	124.7	124.8
Finance, insurance & real estate	293	294	297	294	294	298	135.2*	135.3	136.8
Service & miscellaneous	1,424	1,419	1,393	1,421	1,421	1,395	164.8*	164.8	161.7
Federal government	139	138	143	139*	138	143	108.6*	108.0	111.7
State & local government	580*	576	563	566	567	554	97.2	97.3	95.0
Goods Producing									
No. of wage and salary jobs (thous.)	1,293*	1,274	1,302	1,283*	1,279	1,307	81.5*	81.3	83.1
Construction	243	232	234	235	235	238	127.7	127.9	129.1
Mining	27	27	28	27	27	28	55.6	55.6	57.5
Manufacturing	1,023*	1,016	1,041	1,022	1,016	1,041	76.1*	75.7	77.6
Durable goods	577*	572	591	576*	572	591	71.2*	70.6	72.9
Nondurable goods	446*	444	450	445	444	450	83.6	83.5	84.5
Ave. wkly. hrs. worked by prod. workers	41.2	41.0	40.8	40.7	40.6	40.3	103.0	102.6	102.0
Total wkly. person-hours worked (mils.)	29.1	28.7	29.3	28.7	28.4	29.0	74.7	73.9	75.5
Total wkly. payroll (mil. dols.)	325.7	323.2	317.9	320.6	317.5	312.0	142.7	141.3	138.9
Average hourly earnings (dollars)	11.20	11.25	10.84	11.17	11.19	10.78	190.9*	191.4	184.2
Average weekly earnings (dollars)	461.44	461.25	442.27	453.64	452.21	433.44	196.1*	195.5	187.4
Steel production (thous. tons)	992	889	808	n.a.	n.a.	n.a.	50.7	46.1	42.1
Industrial electric power sales (mil. kwh)	3,655	3,587	3,724	3,799	3,648	3,824	102.9	98.8	103.6
Mining									
Anthracite coal (thous. net tons)	310	183	291	267	191	299	54.6	39.0	61.1
Bituminous coal (thous. net tons)	6,065	4,485	4,967	6,220	5,104	5,802	88.2	72.4	82.3
Construction contracts awarded (mil. dols.)									
Total	968.7	558.5	792.9*	1139.4	662.3	858.7*	354.2	205.9	266.9*
Residential building	270.9	246.2	233.7*	291.0	324.8	292.6*	206.8	230.8	207.9*
Nonresidential building	305.5	198.7	319.2*	275.4	233.8	371.8*	253.8	215.5	342.7*
Nonbuilding (utilities and public works)	392.3	113.6	240.0*	573.0	103.7	194.3*	790.5	143.1	268.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,563	5,567	5,567	5,555	5,572	5,572	115.6	116.0	116.0
Unemployed									
No. of persons (thous.)	347	324	288	360	344	308	89.9	85.7	76.9
Rate (percentage of labor force)	5.9	5.5	4.9						
Rate, seasonally adjusted				6.0	5.8	5.2			
Civilian labor force, no. of persons (thous.)	5,911	5,891	5,855	5,915	5,916	5,881	113.6	113.6	112.9
Initial claims for unemployment benefits	120,995	155,811	141,203	117,630	107,520	99,813	82.2	75.1	69.7

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month*	*Year*
	Nov.	*Dec.*	*Dec.*	*Ago*	*Ago*
U.S. city average	133.8	133.8	126.1	0.0	6.1
Philadelphia	139.1	139.4	129.9	0.2	7.3
Pittsburgh	n.a.	129.1	121.8	n.a.	6.0

[1] Total includes workers on strike.   * = figure revised   n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

RECENT AND HISTORICAL TRENDS IN SELECTED PENNSYLVANIA ECONOMIC INDICATORS
(89:IVQ-90:IVQ, 83-89 average, and 80-83 average annual percent changes)



SOURCE: U.S. DEPTS. OF LABOR AND COMMERCE; PA DEPT. OF LABOR AND INDUSTRY; PSU.

New Pennsylvania building permit authorizations (percent change from year ago)

	Dec.	Pct. chg.	Year-to-date	Pct. chg.
Residential	1,615	– 38.1	35,980	– 23.1
Nonresidential	713	6.7	20,389	– 4.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1990: IVQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	338	– 29.3	1,927	– 20.6
Carbon	25	– 58.3	160	– 37.5
Lehigh	173	– 12.2	791	– 30.7
Northampton	140	– 36.7	976	– 5.3
Beaver County MSA	79	9.7	476	10.4
Philadelphia MSA	1,629	– 32.0	8,044	– 29.6
Bucks	441	– 29.2	2,236	– 25.8
Chester	287	– 52.4	1,807	– 43.0
Delaware	143	– 49.1	660	– 40.1
Montgomery	499	– 36.7	2,594	– 26.8
Philadelphia	259	156.4	747	24.5
Pittsburgh MSA	736	– 35.8	4,026	– 13.7
Allegheny	404	– 48.8	2,101	– 26.5
Fayette	42	– 12.5	304	9.4
Washington	106	– 15.2	602	9.1
Westmoreland	184	– 0.5	1,019	4.3
Adams County	118	– 30.6	654	– 7.2
Nonres. buildings				
Allentown-Beth. MSA	278	1.5	1,817	– 2.3
Carbon	21	5.0	157	40.2
Lehigh	126	26.0	737	– 10.4
Northampton	131	– 14.9	923	– 0.1
Beaver County MSA	57	– 3.4	341	10.4
Philadelphia MSA	846	– 12.0	4,663	– 5.8
Bucks	245	– 23.2	1,497	– 3.9
Chester	238	16.7	1,133	– 5.5
Delaware	100	– 13.0	564	1.1
Montgomery	233	– 18.0	1,321	– 10.4
Philadelphia	30	– 23.1	148	– 8.1
Pittsburgh MSA	331	– 16.2	2,196	– 5.9
Allegheny	134	– 34.0	1,041	– 10.9
Fayette	24	9.1	226	– 5.4
Washington	72	0.0	382	– 6.8
Westmoreland	101	3.1	547	6.0
Adams County	54	42.1	245	– 10.9

Source: U.S. Dept. of Commerce, Bureau of the Census; PSU, Ctr. for Reg. Bus. Analysis.

malaise. Successful state-level economic development policies, often in the areas of education and infrastructure development, tend to be much more long-term in focus.

Last year's forecast was pretty much on the mark, though the severity of the downturn proved to be somewhat surprising. The forecast called for sluggish, though still positive, growth. That forecast held through the first several months of the year before developments in the Persian Gulf helped plunge the economy into recession. Still, it must be stressed that the economy showed considerable signs of strain before this scenario unfolded. **As forecast last year, there is considerable weakness on the employment/unemployment front, indicators of the factory sector's health point down, retail activity is questionable, and the construction sector is beset with difficulties.**

As an aside, considerable caution should be exercised in couching the current hostilities in the Middle East in economic terms. Numerous economists have felt it necessary to discuss the economic impacts of the war, analyzing it in terms of its potential to wreak havoc on financial and commodities markets (though just the opposite has happened during the war's early days), consumer spending and confidence, and the federal budget, to name just a few topics of recent interest. Indeed, the Persian Gulf situation has been the subject of some discussion, albeit in a limited sense, in previous issues of the *PBS*. How the war unfolds will perhaps prove to be the major determinant of the economy's future course. However, these economic implications pale in comparison with other (human) costs. As such, it is felt that any discussion of the economic costs of the war should be offered with this major qualification in mind.

Perhaps the most noticeable development in the recession's early months has been the strain on state budgets, not only in Pennsylvania, but throughout the U.S. In the Commonwealth, revenue collections growth has slowed in recent months, both relative to previous trends and relative to expectations. A recent report by the Pennsylvania Department of Revenue suggests that sales and use tax collections are 3.6 percent below estimates for the first half of the current fiscal year. Additionally, the growth in sales and use tax collections over the same period, at 1.5 percent, is down from a 2.3 percent annual gain during the first six months of the 1989/1990 fiscal year.

Historically, national economic recoveries are often led by the construction industry in response to lower borrowing costs. Unfortunately, 1990 brought with it the weakest showing on this front in several years in Pennsylvania, with no pronounced improvement in sight. **For the year, preliminary estimates suggest that 23 percent fewer new housing units have been authorized by permit.** This represents the third consecutive decline and the steepest drop in a decade. That weakness appears widespread as the State's largest metropolitan areas report downturns in permit activity. **On the nonresidential side, permit activity is also down — by 4.7 percent, Statewide.** Again, weakness, at first glance, appears to be fairly widespread.

Another widely-followed indicator of construction trends, the value of construction contract awards, also points down.

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania				United States	
	Mo. Ave.		Pct. change from		Pct. change from	
	1990	1989	1989	1983	1989	1983
No. of wage and salary jobs (thous.)						
All nonfarm industries	5,137	5,119	0.4	1.8	1.8	2.9
Goods producing	1,291	1,312	-1.6	-0.1	-1.3	1.0
Mining	27	27	0.0	-5.1	-3.9	-4.8
Construction	235	235	0.0	5.1	0.1	4.0
Manufacturing	1,029	1,050	-2.0	-0.9	-1.9	0.5
Durable goods	583	600	-2.8	-0.9	-2.6	0.5
Primary metals	90	91	-1.1	-4.0	-2.5	-1.4
Nondurable goods	446	450	-0.9	-0.9	-0.8	0.4
Service producing	3,844	3,803	1.1	2.5	2.7	3.5
Transportation and public utilities	254	254	0.0	0.8	3.4	2.4
Wholesale trade	282	280	0.7	2.3	1.6	2.7
Retail trade	896	896	0.0	2.5	1.1	3.4
Finance, insurance, and real estate	296	296	0.0	2.9	1.6	3.2
Services and miscellaneous	1,410	1,379	2.2	4.0	4.1	5.3
Federal government	144	143	0.7	1.1	3.0	1.5
State and local government	561	554	1.3	0.5	2.9	2.2
Ave. wkly. hours worked by production workers						
All manufacturing industries	40.7	40.9	-0.5	0.5	-0.5	0.2
Durable goods	41.9	42.1	-0.5	0.6	-0.5	0.2
Primary metals	43.2	43.3	-0.2	1.3	-0.7	0.8
Nondurable goods	39.1	39.4	-0.8	0.4	-0.2	0.3
Total factory person-hours worked (mils.)	28.9	29.7	-2.7	-0.1	-2.9	0.7
Total factory payrolls (mil. dols.)	318.7	316.7	0.6	2.8	0.4	3.7
Average factory hourly earnings (dollars)	11.04	10.66	3.6	3.0	3.3	3.0
Average factory weekly earnings (dollars)	448.86	435.99	3.0	3.6	2.7	3.2
Steel production (thous. tons)	1,004	989	1.5	-1.1	0.1	2.1
Industrial electric power sales (mil. kwh)	3,797	3,794	0.1	1.7	1.1	2.7
Mining						
Anthracite coal (thous. net tons)[1]	260	285	-8.8	-3.8		
Bituminous coal (thous. net tons)	5,894	5,750	2.5	1.1	6.0	4.2
Construction contracts awarded						
Total, current dollars (mils.)	811.2	902.6	-10.1	10.2	-11.3	3.1
Residential building	290.7	361.3	-19.5	6.5	-14.3	1.7
Nonresidential building	324.0	337.1	-3.9	12.2	-13.0	4.7
Nonbuilding (utilities and public works)	196.6	204.3	-3.8	13.6	-0.6	3.7
Total, constant 1987 dollars (mils.)2	736.1	835.7	-11.9	6.8	-13.1	0.0
Residential building	263.8	334.5	-21.1	3.3	-16.0	-1.4
Nonresidential building	294.0	312.1	-5.8	8.8	-14.7	1.5
Nonbuilding	178.4	189.2	-5.7	10.1	-2.5	0.6
Employed, no. of persons (thous.)	5,583	5,592	-0.2	2.0	0.5	2.3
Unemployed						
No. of persons (thous.)	318	264	20.5	-9.7	5.3	-6.1
Rate (percentage of labor force)	5.4	4.5				
Civilian labor force, no. of persons (thous.)	5,901	5,857	0.8	1.0	0.7	1.6
Initial claims for unemployment benefits (thous.)	103	91	13.2	-5.8		
Consumer Price Index for All Urban Consumers, all items (1982-84 = 100)						
U.S. city average					5.4	4.0
Philadelphia	135.8	128.3	5.8	4.6		
Pittsburgh	126.2	120.1	5.1	3.2		

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining Anthracite coal.

[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Implicit Price Deflator.

Values are down more than 10 percent for the year, even before adjustment for inflation. Over the 1983-1990 period, growth averaged more than 10 percent on an annual basis. Softness is widespread as residential, nonresidential and nonbuilding contract valuations are down.

Another engine of growth in recent years, the consumer, also retreated to the sidelines in 1990. **Through the first 11 months of the year, retail sales growth comes in at a minimal 1 percent. Not surprisingly, weakness is concentrated in big-ticket items.** Sales of building materials are off 4.1 percent for the year in response to the downturn in construction. Sales at auto dealerships are off more than 3 percent. There are, however, some faint signs of firming in the auto sector. 1990's sales decline comes on the heels of a more pronounced 5.3 percent drop in 1989. In fact, in both October and November, auto dealer sales have been slightly higher than year-ago readings. Furthermore, new vehicle registrations in those same two months have risen above those from a year ago. However, this is not likely the start of a sustainable reversal of recent trends.

Total retail sales have been below year-ago readings three times in the past six months. During the October-November period, sales are off 0.2 percent from the same two months in 1989. This comes on the heels of a 7.5 percent average annual gain during the 1983-1989 period. Furthermore, this recent performance is also quite worrisome relative to trends in the early 1980s when sales growth, despite the recessions, averaged 5.5 percent. However, differences in underlying inflation rates surely account for some of the differences in retail sales growth between the two recessionary periods. There is little good news on the retail sales front in either of the State's two largest metro areas, Philadelphia and Pittsburgh/Beaver County, especially in the latter.

Despite talk of its demise, the manufacturing sector remains a major player in the Pennsylvania economy. Indeed, time and time again, these industries show that their health is a significant determinant of the overall economy's health. Recent trends in these industries have not been especially encouraging. For all of 1990, 21,000 jobs have disappeared from payrolls in these establishments. Durable goods industries account for four-fifths of 1990's job losses. Each of the nine durable goods industries show a reduction in job levels in 1990. The largest absolute decline comes in the electronic equipment industry where job totals are down by nearly 5,000 for the year.

Several other measures of the factory sector's health also point to some softness. The average workweek is down, as is total production hours worked. Earnings growth on the part of manufacturing workers is not keeping pace with inflation. Of special importance is production trends. For the year, production is off more than 1 percent based upon trends in CRBA's Pennsylvania Manufacturing Activity Index. Though unimpressive, this does fall well short of the 4 percent average annual decline recorded in the early 1980s. Despite the drop in overall factory output, steel production is up 1.5 percent over 1989 levels.

The most widely-tracked indicators of economic growth and activity, job and labor force trends, round out a rather dismal review of the 1990 economy in Pennsylvania. Jobless rates during the final months of 1990 prove

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	November	Pct. chg.	Year-to-date	Pct. chg.
Total	7,155	– 1.2	74,434	1.0
Durables	2,217	– 3.2	25,805	– 3.0
Bldg. mat.	235	– 18.1	3,043	– 4.1
Auto dlrs.	1,211	1.3	15,416	– 3.4
Furniture	344	1.5	3,402	2.7
Other	427	– 8.8	3,944	– 5.1
Nondurables	4,938	– 0.2	48,629	3.2
Gen. mdse.	1,036	– 3.3	7,708	1.5
Food/grocery	1,496	6.3	15,543	3.6
Gas	487	20.2	4,651	8.0
Apparel	410	– 7.9	3,675	0.0
Eat/drink	712	– 9.3	8,725	0.9
Drugs	267	0.0	2,841	0.7
Other	530	– 6.9	5,486	8.0

Seas. adj. total: November 6,972
October 6,929

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
November	43,430	12.8
1990 YTD	565,273	– 7.9
12-month total	617,272	– 8.9

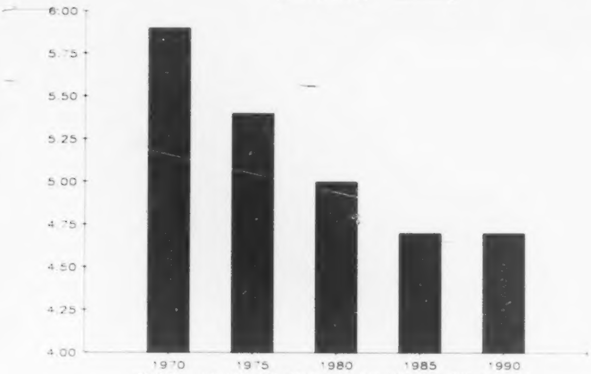
Source: R.L. Polk & Co.

Philadelphia and Pittsburgh metropolitan area retail sales
(millions of dollars; pct. chg. from year ago; data through Nov.)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	31,632	3.7	12,845	– 2.5
Durables	11,189	1.2	4,082	– 6.2
Bldg. mat.	1,242	– 13.0	533	6.8
Auto dlrs.	6,530	5.9	2,192	– 13.0
Furniture	1,730	18.9	484	– 0.4
Other	1,687	– 16.0	873	3.3
Nondurables	20,443	5.2	8,763	– 0.7
Gen. mdse.	3,026	– 0.5	1,636	0.9
Food/grocery	6,711	4.0	2,295	8.9
Gas	1,641	6.3	997	10.8
Apparel	1,815	– 0.2	751	0.4
Eat/drink	3,481	8.7	1,587	– 12.8
Drugs	1,356	7.5	799	– 11.4
Other	2,413	14.1	698	– 3.3

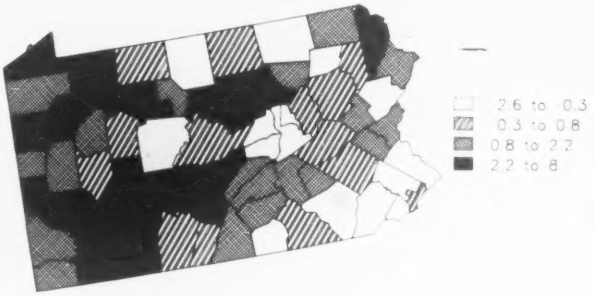
Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

PA RESIDENT EMPLOYMENT AS A SHARE OF THE U.S.
(percent)



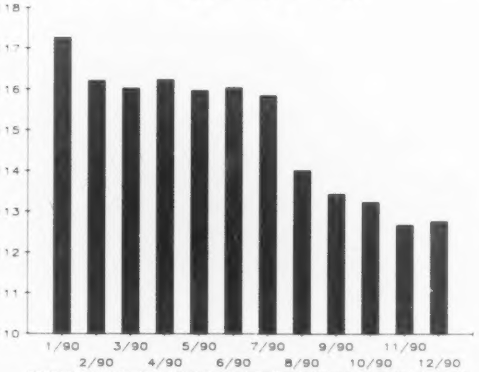
SOURCE: U.S. DEPT. OF LABOR; PSU, CTR. FOR REG. BUS. ANALYSIS.

CHANGE IN RESIDENT EMPLOYMENT
GROWTH BY COUNTY
(pct. points; 89:IVQ-90:IVQ growth minus 80-83 growth)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

1990:IVQ county employment
(pct. and pct. pt. changes are from year-ago quarter)

	Empl. (thous.)	Ann. pct. chg.	Unemp. Rate (pct.)	Ann. pct. pt. chg.*
Adams	37.6	-1.1	4.7	0.8
Allegheny	632.5	0.2	4.4	0.4
Armstrong	26.0	-2.3	8.8	1.5
Beaver	54.3	-1.3	7.9	0.9
Bedford	19.5	0.0	10.0	2.0
Berks	170.6	-0.4	5.4	1.2
Blair	56.4	1.6	8.0	1.0
Bradford	29.0	-1.7	5.9	0.7
Bucks	285.7	-0.8	4.5	1.0
Butler	69.6	-1.3	5.8	0.6
Cambria	58.5	0.7	8.4	0.6
Cameron	2.6	0.0	7.1	-0.6
Carbon	23.4	-0.4	7.7	-0.3
Centre	64.3	1.3	5.8	0.2
Chester	193.0	-0.8	3.5	1.0
Clarion	16.8	-1.2	8.8	1.1
Clearfield	31.2	-1.6	10.1	0.7
Clinton	14.0	-2.1	11.3	3.4
Columbia	29.8	0.0	6.9	0.7
Crawford	35.9	-1.4	7.6	1.4
Cumberland	107.7	1.7	4.0	0.7
Dauphin	131.3	1.7	4.9	0.0
Delaware	278.7	-0.8	4.0	0.9
Elk	16.3	1.2	7.3	1.5
Erie	127.6	1.6	5.7	0.2
Fayette	54.6	0.2	7.9	0.2
Forest	1.7	0.0	10.8	2.2
Franklin	55.6	-2.1	5.9	1.9
Fulton	5.8	-1.7	10.2	3.4
Greene	11.8	0.0	9.0	0.9
Huntingdon	17.5	1.2	10.7	1.6
Indiana	31.6	-1.2	9.0	0.7
Jefferson	18.3	-1.1	7.6	1.1
Juniata	9.4	0.0	9.5	0.7
Lackawanna	103.2	-0.1	6.9	1.0
Lancaster	213.1	-0.8	4.9	0.9
Lawrence	45.6	0.4	5.8	0.6
Lebanon	62.4	1.8	4.9	0.7
Lehigh	140.6	-0.5	5.5	0.7
Luzerne	150.0	-0.1	7.7	1.3
Lycoming	57.2	0.9	7.7	1.4
McKean	19.2	-3.0	6.9	1.0
Mercer	49.9	3.1	5.3	0.5
Mifflin	20.5	0.0	8.0	0.2
Monroe	46.6	-0.2	7.9	3.0
Montgomery	373.1	-0.8	4.0	1.0
Montour	7.7	-1.3	5.6	0.2
Northampton	110.1	-0.5	6.1	1.5
Northumberland	45.0	-1.5	8.8	0.8
Perry	20.2	1.5	6.2	0.6
Philadelphia	685.5	-0.8	6.7	1.5
Pike	12.2	3.4	6.3	1.2
Potter	7.1	-1.4	7.6	0.8
Schuylkill	67.7	-1.0	8.6	1.6
Snyder	17.9	-1.6	9.8	3.0
Somerset	29.7	0.3	7.5	0.4
Sullivan	3.0	3.4	6.2	0.9
Susquehanna	17.1	1.8	7.9	1.4
Tioga	17.4	-1.7	7.5	1.1
Union	16.1	-1.8	6.1	1.7
Venango	23.0	-0.9	6.3	0.8
Warren	21.3	0.9	4.4	-0.3
Washington	88.5	0.2	6.1	1.3
Wayne	18.8	3.3	8.0	1.9
Westmoreland	166.1	0.2	6.0	0.3
Wyoming	12.6	0.0	6.8	0.8
York	173.4	-1.1	5.3	0.9

Source: PA Dept. of Labor and Industry;
PSU, Ctr. for Reg. Bus. Analysis.

*Current rate minus year-ago rate.

to be the highest in approximately four years. For the year as a whole, the jobless rate, at 5.4 percent comes in nearly one full percentage point higher than in 1989. In absolute terms, those Pennsylvania residents officially listed as without a job in 1990 are up by more than 50,000 from a year ago.

The uptick in joblessness is apparent across the Commonwealth. In the fourth quarter, all but 3 of Pennsylvania's 67 counties are home to higher unemployment rates than a year ago. Six counties maintain double-digit jobless rates.

The news certainly is not much better on the employment front. 1990 resulted in the first, albeit slight, decline in resident employment since 1983. In the fourth quarter, the employment decline worked out to −0.3 percent. This represents a considerable dropoff from the 2.4 percent average gain over the previous six years. Pennsylvania's employment showing in recent decades has not lived up to national norms. As a result, the share of U.S. employment accounted for by Pennsylvania has declined considerably, though there were signs of a more stable pattern in the latter half of the 1980s (chart).

Signs of weakness on the employment front abound across the Commonwealth. Of the 67 counties in Pennsylvania, 36 report lower employment readings during the final three months of 1990 relative to the same period in 1989. On a more positive note, employment trends during the early months of this recession do not appear to be quite as worrisome as in the early 1980s. Statewide, fourth quarter employment growth represents a 0.8 percentage point improvement over the 1 percent annual decline averaged during the previous recessions in the 1980-1983 period. Most counties in western Pennsylvania report "growth differentials" in excess of this Statewide average. Specifically, during the fourth quarter, these counties maintained employment growth rates which improved upon earlier trends by at least 0.8 percentage point. In some cases, recent employment growth comes in as much as 8 percentage points higher than in the early 1980s. Just the opposite is true in the eastern portion of the Commonwealth where growth differentials come in well below the 0.8 percent Statewide average. In fact, 19 counties, nearly all of them in eastern Pennsylvania, maintain employment growth rates below that averaged in previous bouts with recession.

Industry-specific job trends have already been examined for the manufacturing sector. Signs of weakness in 1990 job trends are evident in practically every other industry examined. **The once-thriving service producing industries each report considerably slower job growth. For the year, jobs in these industries are up 1.1 percent, considerably below the 2.5 percent rate of expansion averaged over the 1983-1990 period.** Within the broad service-producing sector, retail trade job levels held steady after several years of uninterrupted growth while job growth in services, proper, is only about one-half the rate of growth in previous years. **Given the sluggish state of retail activity in Pennsylvania, the sub-par employment showing on the part of retail establishments during the holiday shopping season is not all that surprising. December job levels in these establishments were actually down by a seasonally adjusted 3,000 from November totals.** All told, nonfarm job growth comes in at 0.4 percent in Pennsylvania. This is down considerably from growth in previous years and also comes up well short of the 1.8 percent expansion recorded nationwide.

Current evidence is not strong enough to suggest any imminent rebound. The trend in the Pennsylvania Index of Leading Indicators points noticably down, despite a minimal uptick in December (chart). There are simply no signs of strength to be found anywhere in the entire batch of economic indicators. This, taken in the context of a weak national economy, does not portend well for the Pennsylvania economy.

The current consensus is for the U.S. economy to begin showing signs of life near mid year. The belief is that current Federal Reserve efforts to prop up the economy through relative ease in its set of monetary policies will begin showing some results by then. The consensus appears to be that U.S. economic growth will come in at a weak 1 percent, at best, in 1991, with a rebound in the second half offsetting weakness in the first. However, such an outcome is perhaps most appropriately viewed as a best case scenario. There are no guarantees that the construction/real estate sector will respond in a typical fashion to lower interest rates. The household and business sectors of the economy remain weighted under a heavy debt burden, potentially limiting their contribution to any unfolding rebound. The economy's savior is expected to be export activity although, even here, the outlook is uncertain and depends heavily on developments on the international front. Simply put, a recession considerably longer and more severe than is called for by current expectations cannot be ruled out. Even if the consensus forecast of a mid year turnaround is on the mark, the strength of the subsequent recovery is expected to fall well short of the recovery which followed the recessions in the early 1980s.

1991 will bring with it, at best, minimal relief from recent sluggish trends in Pennsylvania. No sectors, industries, or regions appear capable of generating enough momentum to push the economy forward onto a higher growth track. Specifically, the following trends are expected to characterize the 1991 economy in the Commonwealth:

- **At least for the first several months of the year, employment trends will remain worrisome. Even if there is a second half turnaround, the economy will struggle to maintain current employment levels. The end result will be continued upward pressure on joblessness, with the unemployment rate likely to average in excess of 6 percent. If the recession lingers on longer than expected, a 7 percent rate by year-end is not out of the question. This gloomy unemployment outlook is consistent with recent trends in initial claims for unemployment insurance which spiked by more than 13 percent in 1990. Typically, changes of that magnitude tend to be followed by rising joblessness in ensuing months.**
- **Construction activity will continue to trend downward, though a repeat of 1990's plunge is not expected, barring any unforeseen developments. An economic recovery, coming along with relatively low borrowing costs and coming after an extended period of fairly stable housing prices, if not outright depreciation, should help the housing industry,**

perhaps as early as this summer. (However, as outlined above, this is far from a given.) Even so, a repeat of the strong trends in the industry in the mid 1980s is not likely. In a nutshell, the situation is expected to fall somewhere in between boom and bust, but closer to the latter rather than the former.

- **Look for a repeat of 1990's performance on the retail sales front. It is quite unlikely that those gains which are recorded will be strong enough to outpace expected price gains in the neighborhood of 4 percent.**
- **Manufacturing will continue to feel the brunt of the economy's weakness. Production is likely to continue to trend down with job levels following suit. Some analysts claim that this recession is likely to be concentrated in the service producing sector. Such an argument, however, appears to fly in the face of recent trends, at least in Pennsylvania. The goods producing sector accounts for all of the job losses in the economy to date. The service producing sector is barely adding jobs to payrolls. Still, the sector as a whole is generating a small number of positions. These differing patterns across the goods and service producing sectors are expected to continue for several more months. Likewise, some argue that this is a "white-collar" recession, heavily impacting management ranks. While this may be true relative to previous downturns, the bulk of the hardship is still likely to fall on "blue-collar" workers, especially on the production side.**

The outlook for the Pennsylvania economy is best described as cloudy, but it is not bleak. Conditions will eventually improve. Keep in mind that the average length of recessions since World War II has been 11 months. Assuming something similar this time around, the Pennsylvania economy will likely fare quite better than in the early 1980s.

— *William D. Anderson*

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic conditions in the Allentown-Bethlehem region during 1990 are perhaps best described as "lackluster." Weakness abounds across a wide range of economic indicators. At best, some measures of the economy's health point to a slowdown in overall growth. Others, however, especially those that relate to the goods producing sector, point to an actual decline in activity. Clearly, several years of (uneven) economic recovery in northeastern Pennsylvania have come to an end as the national recession has taken hold in the region.

The reversal in the economy's fortunes is especially apparent in recent construction-related trends, most notably on the residential side. For 1990 as a whole, 21 percent fewer new housing units have been authorized by permit in the three Pennsylvania counties included in the metropolitan area. This represents the third consecutive annual decline in the 20-30 percent range. Declines are especially pronounced in Carbon and Lehigh Counties. The value of residential construction contract awards is down nearly one-third from 1989 readings. The news is a bit more encouraging on the nonresidential side. The number of projects authorized by permit is essentially unchanged from a year ago while contract valuations are up 40 percent.

On the jobs front, building-related job totals are off by 600 in 1990, settling in at 13,000. This is the lowest reading since 1986. Elsewhere in the goods producing sector, factory jobs are off 1.6 percent from 1989 totals. On the plus side, the

Allentown-Bethlehem Area[1]

	Ave. mo. value 4 Q '90	Average monthly index seas. adj. (1977 = 100) 4 Q '90	3 Q '90	4 Q '89
Employment *(in thousands)*				
Employed, no. of residents	311.7	114	113	114
Unemployed, no. of residents	19.5	99	86	84
Rate, seasonally adjusted	6.0			
Civilian labor force, no. of residents	331.1	113	111	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	284.8	110	110	110
Srv. Prod. only, no. of jobs	196.9	140	139	139
Goods Prod. only, no. of jobs	87.9	75	75	76
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	104	104	104
Industrial electric power sales				
Metropolitan area	...	101	103	107
Allentown	...	91	94	94
Bethlehem	...	107	107	116
Easton	...	111	112	114
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)		Pct Change From Year Ago Ytd	
Residential contracts only	225.6		−30	
Nonresidential contracts only	259.8		+40	

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

	Allentown-Bethlehem			Altoona			Beaver		
	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	282.4	281.4	0.4	52.9	52.1	1.5	49.6	49.4	0.4
Goods producing	88.1	89.9	-2.0	12.7	12.8	-0.8	11.4	11.6	-1.7
Manufacturing	74.5	75.7	-1.6	10.1	10.3	-1.9	9.0	9.1	-1.1
Durable goods	34.9	35.6	-2.0	3.8	3.9	-2.6	6.7	6.9	-2.9
Nondurable goods	39.6	40.1	-1.2	6.4	6.5	-1.5	2.3	2.2	4.5
Service producing	194.2	191.4	1.5	40.2	39.2	2.6	38.2	37.8	1.1
Ave. wkly. hours worked by production workers									
Manufacturing	39.7	40.0	-0.7	39.0	39.8	-2.0	42.8	43.6	-1.8
Durable goods	41.8	41.9	-0.2	40.9	42.6	-4.0	43.1	44.0	-2.0
Nondurable goods	38.1	38.6	-1.3	37.8	38.1	-0.8	41.5	41.8	-0.7
Industrial electric power sales index (1977 = 100)	102.7	109.9	-6.6	79.0	76.6	3.1			
Employment of Residents									
Employed, no. of persons (thous.)	312.6	314.3	-0.5	57.0	56.2	1.4	54.6	55.1	-0.9
Unemployed									
No. of persons (thous.)	18.4	14.4	27.8	4.5	3.7	21.6	4.6	4.3	7.0
Rate (percentage of labor force)	5.6	4.4		7.3	6.2		7.8	7.2	
Civilian labor force, no. of persons (thous.)	331.1	328.7	0.7	61.4	60.0	2.3	59.2	59.4	-0.3

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90
Local Industries									
No. of wage and salary jobs (thous.)1									
All nonfarm industries	119.8	117.3	2.1	318.4	310.7	2.5	80.9	80.2	0.9
Goods producing	40.6	39.5	2.8	66.3	66.2	0.2	20.1	19.9	1.0
Manufacturing	36.6	35.9	1.9	50.7	51.7	-1.9	14.7	14.4	2.1
Durable goods	25.5	25.0	2.0	22.9	23.8	-3.8	9.0	8.8	2.3
Nondurable goods	11.2	10.9	2.8	27.8	28.0	-0.7	5.7	5.6	1.8
Service producing	79.2	77.7	1.9	252.1	244.3	3.2	60.8	60.1	1.2
Ave. wkly. hours worked by production workers									
Manufacturing	43.4	43.1	0.7	40.7	41.1	-1.0	38.1	39.0	-2.3
Durable goods	42.9	42.9	0.0	40.6	41.0	-1.0	39.9	41.1	-2.9
Nondurable goods	44.6	43.6	2.3	39.6	39.9	-0.8	35.4	35.6	-0.6
Industrial electric power sales index (1977 = 100)	115.4	113.5	1.7	77.8	81.4	-4.4	162.8	156.5	4.0
Employment of Residents									
Employed, no. of persons (thous.)	127.2	126.0	1.0	323.2	318.8	1.4	88.6	88.6	0.0
Unemployed									
No. of persons (thous.)	7.4	6.7	10.4	14.7	12.4	18.5	7.5	6.8	10.3
Rate (percentage of labor force)	5.5	5.1		4.4	3.8		7.8	7.1	
Civilian labor force, no. of persons (thous.)	134.6	132.7	1.4	337.9	331.2	2.0	96.0	95.4	0.6

NOTE: All 1990 data are preliminary and are subject to revision.
All data are average of monthly figures.

	Lancaster			Philadelphia			Pittsburgh		
	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	189.5	188.7	0.4	2,201.0	2,197.4	0.2	911.9	896.7	1.7
Goods producing	70.1	71.5	−2.0	457.9	469.7	−2.5	168.3	169.8	−0.9
Manufacturing	57.3	59.1	−3.0	355.1	364.9	−2.7	123.0	123.5	−0.4
Durable goods	32.5	34.4	−5.5	187.0	191.5	−2.3	86.7	87.4	−0.8
Nondurable goods	24.9	24.8	0.4	168.1	173.5	−3.1	36.3	36.0	0.8
Service producing	119.3	116.9	2.1	1,742.1	1,726.4	0.9	743.0	726.4	2.3
Ave. wkly. hours worked by production workers									
Manufacturing	40.1	40.6	−1.2	40.5	40.6	−0.2	41.9	41.9	0.0
Durable goods	40.8	41.2	−1.0	41.4	41.8	−1.0	43.0	43.0	0.0
Nondurable goods	39.3	39.9	−1.5	39.4	39.3	0.3	39.3	39.1	0.5
Industrial electric power sales index (1977 = 100)	143.4	142.8	0.4	111.3	112.2	−0.8	63.7	62.5	1.9
Employment of Residents									
Employed, no. of persons (thous.)	215.2	216.3	−0.5	2,318.4	2,335.9	−0.7	943.3	936.7	0.7
Unemployed									
No. of persons (thous.)	9.3	7.4	25.7	113.5	92.4	22.8	47.8	44.8	6.7
Rate (percentage of labor force)	4.2	3.3		4.7	3.8		4.8	4.6	
Civilian labor force, no. of persons (thous.)	224.5	223.6	0.4	2,429.1	2,428.3	0.0	991.1	981.5	1.0

	Reading			Scranton-Wilkes-Barre			Sharon		
	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	156.4	154.8	1.0	308.7	305.5	1.0	44.0	43.2	1.9
Goods producing	54.2	55.7	−2.7	85.1	86.2	−1.3	13.1	12.9	1.6
Manufacturing	46.5	48.4	−3.9	69.8	71.0	−1.7	11.6	11.5	0.9
Durable goods	28.7	29.9	−4.0	28.1	28.5	−1.4	10.1	10.0	1.0
Nondurable goods	17.8	18.5	−3.8	41.7	42.5	−1.9	1.5	1.5	0.0
Service producing	102.2	99.1	3.1	223.5	219.2	2.0	30.9	30.3	2.0
Ave. wkly. hours worked by production workers									
Manufacturing	41.0	41.0	0.0	39.2	39.1	0.3	42.5	42.2	0.7
Durable goods	42.0	41.4	1.4	41.0	40.6	1.0	43.1	43.0	0.2
Nondurable goods	39.5	40.2	−1.7	38.2	38.1	0.3	37.2	35.7	4.2
Industrial electric power sales index (1977 = 100)	142.9	145.4	−1.7	120.9	117.1	3.2	110.8	113.5	−2.4
Employment of Residents									
Employed, no. of persons (thous.)	170.2	170.3	−0.1	343.4	343.4	0.0	49.4	48.6	1.6
Unemployed									
No. of persons (thous.)	9.2	7.0	31.4	25.4	19.9	27.6	2.8	2.2	27.3
Rate (percentage of labor force)	5.1	3.9		6.9	5.5		5.3	4.4	
Civilian labor force, no. of persons (thous.)	179.4	177.3	1.2	368.8	363.3	1.5	52.2	50.8	2.8

NOTE: All 1990 data are preliminary and are subject to revision.
All data are average of monthly figures.

region's largest durable goods industry, primary metals, has added 300 jobs to payrolls. On the nondurables side, apparel jobs are off by an additional 700 jobs in 1990. For the goods producing sector as a whole, job levels remain at an all-time low. A 6.6 percent decline in electricity sales to industrial customers suggests that factory output in the region remains sluggish. This measure of production trends has been on the decline since the initial months of 1989.

The news is only slightly better on the service producing side. All told, jobs in these industries are up a fairly weak 1.5 percent in 1990, albeit to another record high. This represents the third consecutive year in which job growth has slowed. For the nonfarm sector as a whole, job growth comes in at a sluggish 0.4 percent. Over the 1983-1989 period, growth averaged 2 percent.

In light of these generally sluggish conditions, 1990's 1.2 percentage point jump in the jobless rate is not surprising. The 5.6 percent reading is the highest since 1986. Employment is actually down by 1,700 from a year ago, the first drop since 1983. However, the declines in employment which accompanied the previous bouts with recessions, in the early 1980s, were much more pronounced than during the early months of this recession in each of the three Pennsylvania counties in the region.

1991 is unlikely to bring with it much improvement in overall economic conditions in the metropolitan area. Goods producing activity is, once again, expected to be especially hard hit. Downward pressure on the average factory workweek, a leading indicator of hiring trends, suggests that manufacturing job levels are likely to erode further as the year unfolds. With weakness also expected on the construction and retail fronts, the metro area will be extremely lucky to even hold its own in 1991.

	State College			Williamsport			York		
	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90	1990	1989	Percentage Change 89-90
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	60.3	58.8	2.6	52.4	51.8	1.2	180.7	180.0	0.4
Goods producing	11.7	11.5	1.7	18.2	18.6	-2.2	69.9	72.1	-3.1
Manufacturing	8.0	8.1	-1.2	15.5	16.2	-4.3	58.4	60.9	-4.1
Durable goods	5.9	6.0	-1.7	8.8	9.6	-8.3	35.2	37.7	-6.6
Nondurable goods	2.1	2.1	0.0	6.6	6.5	1.5	23.2	23.1	0.4
Service producing	48.6	47.3	2.7	34.1	33.2	2.7	110.8	107.9	2.7
Ave. wkly. hours worked by production workers									
Manufacturing	40.0	39.8	0.5	39.8	40.4	-1.5	41.5	41.9	-1.0
Durable goods	40.7	40.4	0.7	40.0	41.2	-2.9	41.8	42.3	-1.2
Nondurable goods	n.a.	n.a.		39.5	39.3	0.5	41.1	41.4	-0.7
Industrial electric power sales index (1977 = 100)	144.4	136.8	5.6	128.2	101.3	26.6	105.2	114.1	-7.8
Employment of Residents									
Employed, no. of persons (thous.)	63.8	62.8	1.6	57.4	56.7	1.2	212.8	213.9	-0.5
Unemployed									
No. of persons (thous.)	3.6	3.0	20.0	4.4	3.5	25.7	10.9	9.0	21.1
Rate (percentage of labor force)	5.3	4.6		7.1	5.9		4.9	4.0	
Civilian labor force, no. of persons (thous.)	67.4	65.9	2.3	61.8	60.2	2.7	223.7	222.9	0.4

NOTE: All 1990 data are preliminary and are subject to revision.
All data are average of monthly figures.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 4 Q.'90	Average monthly index seas. adj. (1977 = 100) 4 Q.'90	3 Q.'90	4 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	342.2	120	120	121
Unemployed, no. of residents	27.2	89	75	72
Rate, seasonally adjusted	7.5			
Civilian labor force, no. of residents	369.4	117	116	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	311.3	118	118	118
Srv. Prod. only, no. of jobs	226.5	138	138	136
Goods Prod. only, no. of jobs	84.8	86	86	87
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	121	123	119
Lackawanna County[2]	***	134	134	132
Luzerne County[3]	***	115	117	107
Hazleton	***	103	106	97
Wilkes-Barre	***	124	126	116
Construction contracts awarded *(in millions of dollars)*	'90 Y (Jan.-	Pct Change From Year-Ago Ytd		
Residential contracts only	282.7	-21		
Nonresidential contracts only	176.4	+24		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Scranton-Wilkes-Barre

The most widely followed measures of the economy's health, employment and unemployment trends, point to some deterioration in the economy of the Scranton-Wilkes-Barre metropolitan area in 1990. Employment in the region, at

343,400, is unchanged from year-ago readings. This comes on the heels of seven consecutive years of growth. Similarly, several years of downward pressure on joblessness have come to an end as the unemployment rate, at 6.9 percent in 1990, is up from 5.5 percent a year ago. In Monroe County, one of the fastest growing counties in the State during the mid 1980s, fourth quarter employment readings are down 0.2 percent from the same period in 1989. At the same time, the County's jobless rate has surged by 3 percentage points to stand at 7.9 percent. This represents one of the largest jumps in the Commonwealth.

As is the case throughout Pennsylvania, much of the weakness is concentrated in the goods producing sector. Manufacturing job trends point down as payrolls have been reduced 1.7 percent in 1990. Both durable and nondurable goods industries have pared job totals. On the bright side, the average factory workweek is holding its own, which may help prop up job levels in coming months. Additionally, electricity sales to industry are up more than 3 percent for the year, suggesting that manufacturing output is holding firm. So, while job levels continue on a downward track, the situation in the region's factories does not appear to be hopeless.

Similarly, there are conflicting signals on the construction front. Contracts for residential construction projects are valued at $283 million, down one-fifth from 1989. At the same time, nonresidential valuations show a gain of one-fourth. Building-related job levels are up slightly.

While service producing industries continue to exhibit signs of growth, some softness is beginning to appear. For the year, jobs in these industries total 223,500 for a gain of 4,300. Job levels have risen practically nonstop since 1983 in establishing a new record every year.

However, growth in the region's two largest service producing industries, services and retail trade, is slowing. In 1990, growth in these two categories comes in at 2.5 and 1.8 percent, respectively. This follows a period covering 1983-1989 in which growth averaged 5.2 and 4.5 percent, respectively. Clearly, conditions appear to have cooled appreciably in 1990.

In sum, the region is certainly feeling the impacts of the national recession. At a minimum, growth has slowed across the board. Perhaps the most significant positive conclusion which can be drawn from 1990's trends is that, taken as a whole, the region appears to be turning in a performance which is probably at least on par with the State as a whole, although this is not all that impressive given the sluggish nature of the Commonwealth's economy. In that the national recession is expected to last at least through mid year, do not look for much improvement in regional economic conditions in the Scranton-Wilkes-Barre metro area as 1991 unfolds.

Williamsport Area[1]

	Ave. mo. value 4 Q.'90	Average monthly index seas. adj. (1977 = 100) 4 Q.'90	3 Q.'90	4 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	57.2	122	122	121
Unemployed, no. of residents	4.8	106	93	86
Rate, seasonally adjusted	7.8			
Civilian labor force, no. of residents	62.0	120	119	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.0	114	113	113
Srv. Prod. only, no. of jobs	35.1	129	128	125
Goods Prod. only, no. of jobs	17.9	93	92	96
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	103	103	104
Industrial electric power sales	***	130	130	116

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd
Residential contracts only	19.4	–43
Nonresidential contracts only	15.0	+60

[1] Lycoming County

Williamsport

While overall economic growth appears to have retreated a bit in Lycoming County during 1990, trends suggest that the region is holding up fairly well, especially relative to the State as a whole. At 1.2 percent, nonfarm job growth compares quite favorably with the 0.4 percent gain turned in by the Commonwealth in 1990. The increase leaves establishment employment at its highest reading on record. However, 1990's gain is the weakest since 1983, at the height of the previous recession.

Much of the economy's strength is concentrated in the service producing sector. Within this broad sector, the services industry itself accounts for 500 additional jobs in 1990 while retail trade has expanded payrolls by 100 positions. These two industries have made significant contributions to overall economic growth in recent years. 1990's gain in service producing jobs works out to 2.7 percent. This increase is pretty much in line with the 2.8 percent advance averaged during the previous six years. Furthermore, it is quite impressive in that it is more than double the increase reported Statewide.

At the opposite end of the spectrum, at least in terms of recent job trends, is the factory sector. Here, the 4.3 percent job loss recorded in 1990 is more than twice as large as the State's 2 percent loss. This marks the third consecutive year in which factory job levels have receded. The manufacturing sector's weakness is concentrated in the durable goods industries. Unfortunately, a sizable drop in the average factory workweek suggests that a reversal of these trends is not likely in the months ahead. At the same time, sales of electricity to industrial customers come in more than one-fourth higher than 1989, a very impressive performance. On the construction front, the value of residential construction contract awards displays considerable decline while some strength is evident on the nonresidential side.

Trends on the employment/unemployment front are mixed. For the year, the number of residents officially listed as employed is up by 700 to stand at a record high of 57,400. At the same time, the labor force is up by 1,600. The end result is a rise in the number of unemployed totaling 900. The 4,400 residents counted among the unemployed represents the highest reading since 1985.

Southwestern Quarter

Altoona

Economic indicators are sending mixed signals in Blair County. However, taken as a whole, the 1990 batch of data suggests that the Altoona metro area certainly feels the impact of the national recession. While economic growth has undoubtedly slowed in the region, it remains positive, albeit minimal. As for the outlook, the metro area is in store for some rough sledding in the months ahead. A prerequisite for a rebound in Blair County is a return to health on the part of the national economy, a scenario which is not expected until at least mid year.

Perhaps the most worrisome trends show up on the unemployment front. At 7.3 percent, 1990's jobless rate is nearly 2 percentage points higher than in the State as a whole. All told, the number of unemployed residents is up by more than one-fifth compared to 1989. At the same time, employment in the region continues to expand. In fact, the 1.4 percent increase in the number of residents counted as employed compares quite favorably with Statewide trends and leaves this measure of the economy's health at an all-time high. On the other hand, this represents a marked slowdown from the 2.5 percent gain averaged over the 1983-1989 period.

Based upon recent job trends, manufacturing remains a soft spot in the local economy. Job levels in these industries have been trending down for several years. 1990 brings with it an additional loss of 200 factory jobs in Blair County. Recent declines in the average factory workweek suggest that manufacturing hiring trends are likely to remain sluggish in the months ahead. Elsewhere in the goods producing sector, the construction industry looks to be holding its own. Job levels are essentially unchanged from a year ago while contract valuations are up on both the residential and nonresidential sides.

Altoona metro area service producers continue to add jobs to payrolls. 1990's 2.6 percent job gain is in line with historical averages. These industries are holding up quite well in the face of the national recession. The first half of 1990 brought with it 1,000 additional service producing jobs compared to a year ago. In the year's final six months, 1,100 jobs were added.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'90	*4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	56.4	109	108	107
Unemployed, no. of residents	4.9	128	114	110
Rate, seasonally adjusted	7.9			
Civilian labor force, no. of residents	61.3	110	108	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.5	104	102	102
Srv. Prod. only, no. of jobs	40.9	114	112	110
Goods Prod. only, no. of jobs	12.6	82	80	82
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	102	104	105
Industrial electric power sales	***	78	80	76
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	21.2	+44		
Nonresidential contracts only	39.9	+31		

[1] Blair County

Johnstown

1990 certainly represents a pause in the economy of the Johnstown metropolitan area following an extended period of uneven economic growth. On the plus side, unlike the situation associated with the recessions of the early 1980s, the bottom does not appear to have fallen out of the regional economy. As this current recession unfolds, it is quite unlikely that conditions will deteriorate to the same degree as they did a decade ago. Still, economic conditions will remain stagnant for at least several more months in Cambria and Somerset Counties.

Though not especially impressive, nonfarm job trends are best described as moderate across the board. All told, total nonagricultural job levels are up 0.9 percent in 1990 — the weakest showing since 1985, but still a bit stronger than the State's 0.4 percent advance. Of special note is the factory sector where job levels are actually up 2.1 percent in 1990. Statewide, manufacturing jobs are down 2 percent. However, such a performance needs to be put in its proper perspective. At 14,700, factory job levels are off by nearly one-third from a decade ago, implying that little progress is being made in making up for all of the ground lost in previous years. Also, the average manufacturing workweek is trending down, suggesting that job trends are likely to be sluggish in the months ahead. On the construction side, activity is showing signs of weakness as the value of contracts awarded is down for both residential and nonresidential projects.

As for service producers, job levels in these establishments are up 1.2 percent in 1990, nearly identical to the State's 1.1 percent advance. However, this increase falls considerably short of the 2.1 percent gain averaged between 1983 and 1989. Nonetheless, job levels in these establishments continue to hover near record readings.

Since 1983, service producing job levels have grown by 7,700. Within this broad category, services accounts for 4,400 of these new positions while retail trade accounts for an additional 2,000. On the manufacturing side, 2,300 new jobs have been added to payrolls. Despite continued problems in the primary metals industry, durable goods establishments account for nearly all of these new factory jobs.

Despite improvement in the economy stretching back several years, unemployment remains a problem. The metro area's jobless rate, 7.8 percent in 1990, matches Beaver County's as the highest in the State's 15 metropolitan areas. At the same time, employment has apparently reached a plateau as it is unchanged from 1989 readings in totaling 88,600. This comes after six years of gains on the employment front.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'90	*4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	88.2	93	91	92
Unemployed, no. of residents	7.8	78	63	72
Rate, seasonally adjusted	8.3			
Civilian labor force, no. of residents	96.0	91	88	90
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	81.6	93	92	92
Srv. Prod. only, no. of jobs	61.5	112	111	111
Goods Prod. only, no. of jobs	20.1	60	61	60
Hrs. worked by production workers in mfg., *ave. weekly*	38.0	97	99	98
Industrial electric power sales	***	165	171	148
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	41.8	– 7		
Nonresidential contracts only	36.8	–36		

[1] Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'90	*4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	941.7	108	107	108
Beaver County	54.3	63	63	64
Unemployed, no. of residents				
Pittsburgh[1]	49.8	83	64	76
Beaver County	4.6	74	62	67
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.2			
Beaver County	8.2			
Civilian labor force, no. of residents				
Pittsburgh[1]	991.4	106	104	105
Beaver County	58.9	64	63	64
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	921.1	105	104	104
Beaver County	50.1	65	65	65
Srv. Prod. only, no. of jobs				
Pittsburgh[1]	752.1	125	124	123
Beaver County	38.8	112	111	112
Goods Prod. only, no. of jobs				
Pittsburgh[1]	168.6	62	62	62
Beaver County	11.2	27	27	28
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.1	n.a.	n.a.	n.a.
Beaver County	42.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	63	66	62
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	521.6	– 5		
Beaver County	32.4	+28		
Nonresidential contracts only				
Pittsburgh[1]	618.3	–27		
Beaver County	22.4	–13		

[1] 1Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

Pittsburgh-Beaver Valley

Economic conditions in the Pittsburgh-Beaver Valley metropolitan area for 1990 show mixed results. Beaver County continues to struggle to remain afloat. At the same time, economic growth in the four-county Pittsburgh region is perhaps best described as moderate. As far as talk of a recession goes, it can be argued that Beaver County never really took part in the recovery following the recessions of the early 1980s. Hence, this region's current difficulties simply represent a continuation of a decade-long decline. The national recession has certainly reduced the overall rate of economic growth in the Pittsburgh portion of the metro area, but the region's economy does appear to be holding up fairly well.

The national economic slowdown is reflected in recent jobless trends in the region. Specifically, the number of residents counted among the unemployed is up by 7 percent. Also, the jobless rate turned up in 1990 in both the Beaver County and Pittsburgh portions of the metro area after six consecutive years of decline. Employment in Beaver County is off for the 13*th* time in 15 years while employment growth in the Pittsburgh area is only about one-half the rate of expansion over the 1983-1989 period. In each of the five counties making up the region, employment trends during the initial months of this national recession are considerably stronger than during the back-to-back recessions of the early 1980s.

Job gains in the service producing sector continue to shore up overall economic growth throughout the region. Indeed, in the Pittsburgh portion of the region, service producing job growth, at 2.3 percent in 1990, is double the Statewide advance. Beaver County's 1.1 percent gain matches the Commonwealth's. These gains are identical to long-term (1983-1990) averages. However, between 1983 and 1990, service producing job growth in the State (2.5 percent at an average annual rate) has exceeded job growth in the Pittsburgh metro area and Beaver County. Nationally, job growth has averaged an even stronger 3.5 percent over the past several years.

Trends on the retail sales front in 1990 are especially worrisome. Led by a sharp drop at auto dealerships, total retail sales are down 2.5 percent through the first 11 months of the year. This is before inflation is even factored out, implying an even larger decline in real terms. The region clearly felt the (energy-induced) spike in the overall price level in the second half of the year. The consumer price index rose 4.4 percent during the first half of the year before climbing at a 5.9 percent clip during the final six months of the year.

Job trends on the goods producing side remain worrisome. In the Pittsburgh portion of the region, job levels are down for the 10*th* time in 11 years while readings are down for the 11*th* straight year in Beaver County. In both cases, durable goods manufacturing accounts for a considerable portion of the job loss. Unfortunately, trends in the average factory workweek (it is down in Beaver County and only holding steady in the Pittsburgh area), a leading indicator of manufacturing hiring trends, suggests that further weakness can be expected. On the plus side, electricity sales to industry, a fair measure of production trends, are up slightly.

Construction is also contributing to 1990's downtrend in goods producing jobs. Building-related jobs are off in both the Pittsburgh and Beaver County portions of the region. The value of construction contracts awarded is down in most cases. The lone exception is for residential projects in Beaver County. Residential permit authorizations are down, but all of the drop is accounted for by Allegheny County. Each of the remaining counties, including Beaver County, show some improvement over 1989 levels.

It is quite unlikely that economic conditions in 1991 will even match 1990's sub-par performance in the region. Trends in the first half of the year are expected to be especially worrisome and the much-anticipated mid year turnaround in the national economy is far from a given. It is important to keep in mind, however, that, especially in the Pittsburgh area, the current recession is not likely to subtract significantly from gains racked up in previous years.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'90	*4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	64.3	152	150	150
Unemployed, no. of residents	4.0	142	129	132
Rate, seasonally adjusted	5.5			
Civilian labor force, no. of residents	68.3	151	149	148
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	61.9	142	141	139
Srv. Prod. only, no. of jobs	50.4	143	141	140
Goods Prod. only, no. of jobs	11.5	138	137	137
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	144	149	141
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	71.3	+ 8		
Nonresidential contracts only	75.2	− 19		

[1] Centre County

State College

1990 has not been a banner year for the Centre County economy. Growth is down considerably from previous years. At the same time, all indications are that the State College metro area continues to hold up well relative to much of the rest of the State, even in the face of the unfolding national recession. Such a conclusion is especially apparent with respect to recent nonfarm job trends. At 2.6 percent in 1990, job growth is considerably stronger in Centre County than in the State as a whole (0.4 percent). At the same time, this is down from the 4 percent gain averaged between 1983 and 1989.

Job gains are evident across both the goods and service producing sectors. On the goods producing side, slight gains in construction barely offset the first decline in manufacturing jobs since 1986. However, based upon trends in the value of contracts awarded, construction activity appears sluggish on both the residential and nonresidential fronts.

Service producing job levels continue to set new records on practically a monthly basis. Again, however, there are signs of considerable easing in the pace of the overall expansion. Still, 1990's 48,600 jobs in these establishments represent a gain of 1,300 for the year. The public sector accounts for nearly one-half of these new positions. The traditionally strong service and retail trade industries have added a combined 500 jobs to payrolls.

Several years of improvement on the unemployment front have apparently come to an end in the region. 1990's 5.3 percent jobless rate is the highest since 1987. The 0.7 percentage point increase over the 1989 reading is the first since 1983. Still, while the State as a whole struggles to hold employment levels steady, Centre County is home to a 1.6 percent advance for 1990. Unfortunately, this is the weakest gain in eight years.

Northwestern Quarter

Erie

Although Erie County is certainly feeling the impacts of the national recession, economic trends in 1990, taken as a whole, point to at least moderate growth in the metropolitan area. Certainly, the region is holding up much better than it did during the back-to-back recessions of the early 1980s. Indeed, during the initial stages of this downturn in the U.S. economy in the fourth quarter, employment growth in Erie County, at 1.6 percent, is 3.8 percentage points higher than the 2.2 percent annual decline averaged between 1980 and 1983. However, expectations for continued weakness in the national economy for at least the next several months will make it difficult for the region to turn in a repeat performance in 1991.

Perhaps the most worrisome trends are found on the unemployment front where joblessness is up 10.4 percent from 1989 readings. Statewide, the increase is nearly twice that amount. As a result, the jobless rate is up to 5.5 percent from 5.1 percent a year ago, only slightly higher than the State's 5.4 percent tally.

Construction indicators are mixed. Job levels are up slightly and the value of nonresidential contracts are up by one-fourth. Residential contract valuations are off by a nearly identical amount. For the goods producing sector as a whole, job levels in 1990 are up a strong 2.8 percent, the largest advance in any of the State's 15 metropolitan areas. The County's 40,600 jobs in these establishments is the highest total in nearly a decade, but it still falls well short of readings from the mid and late 1970s.

Even the often-maligned manufacturing sector is showing signs of life. The average factory workweek is up, as are electricity sales to industry, albeit by a minimal amount. On another front, total factory jobs are up 1.9 percent, a strong showing in light of the 2 percent decline in the State as a whole. 1990's gains are spread evenly across the durable and nondurable goods sectors.

On the service producing side, the 79,200 establishment jobs represent another record — the sixth consecutive year in which a new mark has been achieved. However, at 1.9 percent, job growth is down slightly from 1983-1989 averages. As is typically the case in a recession, the factory sector is likely to be especially hard-hit by the current national slump, at least relative to the services side. Hence, expectations are that service-type industries will have to carry the load in 1991 in terms of overall job growth.

Erie Area[1]

	Ave. mo. value *4 Q.'90*	Average monthly index seas. adj. (1977 = 100) *4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	127.6	114	114	112
Unemployed, no. of residents	7.7	88	73	85
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	135.3	112	110	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	121.5	109	109	106
Srv. Prod. only, no. of jobs	80.7	124	124	122
Goods Prod. only, no. of jobs	40.8	88	88	85
Hrs. worked by production workers in mfg., *ave. weekly*	43.7	105	105	106
Industrial electric power sales	***	112	117	114
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	61.1	−24		
Nonresidential contracts only	56.1	+25		

[1] Erie County

Sharon

1990 has resulted in another year of balanced growth in the Mercer County economy. Practically all indicators suggest that the economy continues to expand. Surprisingly, service producing job trends suggest that activity, at least in these establishments, picked up a bit in the second half of the year, despite the onset of recession in the national economy as a whole. Specifically, job growth averaged 1.4 percent during the first six months of the year prior to coming in at 2.8 percent during 1990's second half. All told, the 30,900 jobs in these industries represent a gain of 600 from a year ago to stand at a record high.

In absolute terms, the services and retail trade industry groups lead the way with 300 and 200 new jobs, respectively. Since 1983, approximately seven of every ten new jobs created in Mercer County's nonfarm establishments are of the service producing-type.

One of the main reasons that the region continues to turn in a fairly impressive showing is that the factory sector is holding up remarkably well, especially in light of rather sluggish trends throughout much of the rest of the State. While manufacturing jobs have been trending down of late in much of the Commonwealth, job levels in Mercer County have advanced in each of the past three years. Still, factory job totals are down nearly one-third from 1979, before the onset of the back-to-back recessions in the early 1980s, suggesting that the metro area is not problem-free.

Employment trends in the region are holding up fairly well. 1990's 1.6 percent gain is in line with gains from previous years. Furthermore, this pattern compares quite favorably with the slight decline in resident employment in the entire Commonwealth. Some weakness, however, is beginning to appear on the unemployment front. The jobless rate is up 0.9 percentage point in 1990 to 5.3 percent, its highest reading since 1987. In absolute terms, the number of unemployed residents is up by more than one-fourth over 1989 totals.

Sharon Area[1]

	Ave. mo. value *4 Q.'90*	Average monthly index seas. adj. (1977 = 100) *4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	49.9	104	103	101
Unemployed, no. of residents	2.8	70	60	63
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	52.7	101	99	98
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	45.1	99	98	96
Srv. Prod. only, no. of jobs	31.8	114	113	111
Goods Prod. only, no. of jobs	13.3	75	75	72
Hrs. worked by production workers in mfg., *ave. weekly*	43.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	110	118	104
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.3	− 3		
Nonresidential contracts only	23.9	+38		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

There is no denying that the national economic slowdown has led to some soft spots in the four-county Harrisburg-Lebanon-Carlisle metropolitan region. Scattered weakness is evident in several trends which have transpired over the course of 1990. On the bright side, the region continues to hold down one of the top spots, relative to the rest of Pennsylvania, in terms of the economy's overall health.

Some of the weakness alluded to above is evident in recent employment and unemployment trends. The region's jobless rate, at 4.4 percent, inched upward (from 1989's 3.8 percent) for the first time since 1983. Still, it is the second lowest in all of the State's 15 metro areas, trailing only Lancaster County's. Though still positive, the region's employment growth rate in 1990, 1.4 percent, falls well short of the 3.3 percent average from the 1983-1989 period. On the bright side, during the early stages of this recession in the fourth quarter, employment growth is considerably stronger than in the previous recessions between 1980 and 1983.

Once again, for the seventh consecutive year, nonfarm job totals stand at a record high in the region. In fact, of the Commonwealth's 15 metropolitan areas, only State College has managed to surpass Harrisburg-Lebanon-Carlisle's 2.5 percent gain in 1990. Temporing this accomplishment is the fact that job growth appears to have eased a bit from years past.

Recent trends suggest that the region is not immune to the problems facing the factory sector. Durable goods producers appear to be especially hard hit as jobs are down 3.8 percent from 1989 totals. The region's largest durable goods industry, in terms of employment, machinery and electrical equipment, has slashed payrolls by 400 in the year just ended. Downward pressure on the average factory workweek suggests that job trends are likely to remain sluggish. A rather sharp 4.4 percent drop in electricity sales to industry indicates that production is perhaps being scaled back. On the construction front, the value of nonresidential contract awards is up by more than one-half from a year ago, offsetting a decline of nearly one-fifth for residential projects.

The news is much more encouraging on the service producing side where 7,800 jobs have been created in 1990. All told, there are 252,100 positions in these establishments. Between 1983 and 1989, job growth in the finance-related area averaged 6.3 percent. 1990 brings with it an improvement over that impressive showing. The 1,600 new jobs in this industry in 1990 works out to an 8 percent gain. In absolute terms, 1990's largest gain is in services, with 3,500 new jobs.

Economic growth is likely to slow further in 1991. While the regional economy was perhaps the strongest in the State in recent years, sluggishness in the national economy will place limits on the region's growth in coming months. Still, assuming that this recession unfolds as expected, the metropolitan area will surely land on its feet and have a running start when conditions begin to improve.

Lancaster

Throughout the 1980s, Lancaster County's economy expanded at a rate considerably stronger than in the State as a whole. Recent trends, however, suggest that the region is performing much more in line with Statewide averages. For instance, between 1983 and 1989, service producing job growth in the metro area averaged 4.2 percent, 1.4 percentage points higher than the State's 2.8 percent average. In 1990, growth in the region, at 2.1 percent, is only 1 percentage point higher than in the State. In fact, 7 of the State's 14 other metro areas curently maintain service producing job growth rates in excess of Lancaster County's.

On the goods producing side, jobs are down 2 percent, a drop which is slightly more pronounced than the State's 1.6 percent retrenchment. The factory sector comes in with a 3 percent job loss which translates into 1,800 jobs in absolute

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'90	*4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	321.5	128	128	126
Unemployed, no. of residents	15.7	106	93	96
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	337.2	127	126	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	320.9	130	130	127
Srv. Prod. only, no. of jobs	254.6	140	140	136
Goods Prod. only, no. of jobs	66.2	102	102	102
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	84	78	77
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	224.3	−18		
Nonresidential contracts only	380.2	+58		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'90	*4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	213.1	136	135	137
Unemployed, no. of residents	10.9	124	100	102
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	223.9	135	134	135
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	190.3	134	133	134
Srv. Prod. only, no. of jobs	121.3	155	153	153
Goods Prod. only, no. of jobs	69.0	108	109	112
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	99	101	102
Industrial electric power sales	***	142	145	142
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	194.3	−36		
Nonresidential contracts only	156.1	−27		

[1] Lancaster County

terms. The 57,300 manufacturing jobs represent the lowest total since 1983.

These differences in job trends between the service and goods producing sectors are expected to continue. The U.S. Bureau of Economic Analysis expects service producing jobs to grow at a 3.4 percent average annual clip over the next decade. Factory jobs, on the other hand, are expected to grow by an average rate of just 1.2 percent.

What strength there is on the goods producing job front is found in construction. Even here, however, 1990's 300 new jobs falls well short of the 1,000 new jobs averaged between 1983 and 1989. Furthermore, despite this job gain, construction contracts are valued significantly lower than in 1989. Residential valuations are off by more than one-third while nonresidential contracts are off by more than one-fourth in value.

While the region remains home to metropolitan Pennsylvania's lowest jobless rate, 4.2 percent, unemployment is on the rise. The 9,300 residents officially listed as without a job in 1990 represent a gain of 26 percent over 1989 totals. Joblessness has not been this high since 1985. On the employment front, seven years of improvement have come to an end as the number of residents counted among the employed is down by 1,100 from a year ago. The region's 0.5 percent decline is slightly stronger than the State's 0.2 percent drop.

Philadelphia

There are few, if any, signs of strength in the Phildelphia metro area economy. Indicators are down across the board — employment, construction, and retail trade. Much of the region's current slowdown is the result of the national recession. However, soft spots began to emerge in advance of the downturn in the national business cycle. One of the earliest indications of the economy's growing problems was the well-publicized budgetary situation in the City of Philadelphia.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'90	*4 Q.'90*	*3 Q.'90*	*4 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	2,313.7	122	122	123
Unemployed, no. of residents	123.4	74	61	58
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	2,437.2	118	117	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,219.6	120	120	120
Srv. Prod. only, no. of jobs	1,763.2	133	132	131
Goods Prod. only, no. of jobs	455.6	89	89	91
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	103	102	101
Industrial electric power sales	***	113	110	110
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,193.3	-27		
Nonresidential contracts only	1,803.8	- 8		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

1991 is not expected to provide much relief for the local economy. The most likely catalyst for a rebound in the regional economy is a reversal in the U.S. economy's recent performance. A best-case scenario has the national economy recovering around mid year. There is a good chance that the recession will be prolonged beyond that date. Expectations are for joblessness in the region to continue to rise. The area's service producing industries will likely struggle to offset continued job losses on the goods producing side. Construction and retail trade trends will remain unimpressive.

The region's service producers realized a minimal job gain of 0.9 percent in 1990. This represents the third straight year in which job growth has eased. Nonetheless, job levels in these establishments stand at a record high. Within this broad category, services and retail trade have accounted for the bulk of all new jobs in recent years. In each, trends deteriorated considerably in 1990. The services industry added jobs at a clip equal to only one-half the rate of growth averaged over the 1983-1989 period while the number of positions in retail trade is actually down from a year ago.

At 3.7 percent in the first 11 months of 1990, retail sales growth in the region is the slowest since 1987. On the durable goods side, building materials sales are especially sluggish as they are off 13 percent from a year ago. On the inflation front, the temporary uptick in oil prices in the second half of the year apparently has had an impact in the region. The consumer price index advanced at a 5.3 percent clip during the first half of the year before climbing 6.4 percent during 1990's final six months.

The region's factories continue having their fair share of difficulties. Manufacturing job levels are down another 2.7 percent with losses widespread across durable and nondurable goods industries. Job levels in these industries have been on a downwtrend for six consecutive years with little improvement expected in the months ahead. Trends in electricy sales to industry suggest that factory production, at best, is holding steady.

The construction industry also appears beset by problems. Building-related job levels are off by 2,000 in 1990. Construction contract awards are down in value for both residential and nonresidential projects. All told, 30 percent fewer new housing units have been authorized by permit in the Pennsylvania portion of the region. Permit activity is down by at least 25 percent in each of the four suburban counties in the region. On the nonresidential side, 6 percent fewer projects have been authorized by permit.

Weakness is also apparent in recent labor force trends. Employment is down by 18,000 for the year and the number of unemployed is up by more than 20,000 according to preliminary estimates. Although, at 4.7 percent, still quite low, the area's jobless rate is up nearly one full percentage point from a year ago. More of the same is expected in the months ahead.

Reading Area[1]

	Ave. mo. value 4 Q.'90	Average monthly index seas. adj. (1977 = 100) 4 Q.'90	3 Q.'90	4 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	170.6	124	124	125
Unemployed, no. of residents	9.7	119	102	94
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	180.3	124	122	123
Local industries *(in thousands)*		—		
All nonagricultural ind., no. of wage and salary jobs	158.7	119	118	119
Srv. Prod. only, no. of jobs	104.8	136	134	132
Goods Prod. only, no. of jobs	53.9	96	97	100
Hrs. worked by production workers in mfg., *ave. weekly*	41.1	104	105	104
Industrial electric power sales	***	142	142	141
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	114.0	−28		
Nonresidential contracts only	108.8	−55		

[1] Berks County

Reading

The Berks County economy is struggling. While the overall economy is clearly not in a downward spiral, a number of trends point to some developing softness. One such trend concerns joblessness. At 9,200, the number of residents counted as unemployed in 1990 is up nearly one-third from a year ago. This is the largest gain among the State's 15 metropolitan areas. All told, the jobless rate comes in at 5.1 percent, up from a 3.9 percent reading a year ago. On the employment front, the number of residents listed as employed is essentially unchanged from a year ago. However, during the initial stages of this current recession during the fourth quarter of 1990, employment is down 0.4 percent from a year ago. This does not match up favorably with the 0.2 percent decline averaged during the previous recessionary period between 1980 and 1983.

News on the nonfarm jobs front, a second measure of overall employment trends, is a bit more encouraging. In rising 1 percent, to 156,400, job levels currently stand at another record high. While this represents a gain which compares well with the 0.4 percent advance for the State as a whole, it falls well short of the 2.2 percent gain averaged between 1983 and 1989.

The U.S. Bureau of Economic Analysis forecasts that Berks County nonfarm job levels will rise to 193,500 by the turn of the century. If this forecast is on the mark, this represents an average annual gain of 2.2 percent, identical to trends prior to the onset of the current national recession. This falls considerably below the 3 percent gain expected for the nation as a whole.

As is the case throughout the State, job trends in the region's factories are especially weak. In Berks County, manufacturing jobs are off 3.9 percent from a year ago, nearly double the decline in the Commonwealth as a whole. The region's largest manufacturing employer, electronic equipment, has cut payrolls by 700 workers in the past year. Job trends are more encouraging in the construction industry. Still, the value of construction contracts awarded is down.

While recent trends in the factory sector have been among the weakest in the State, just the opposite is true on the service producing side. In fact, the 3.1 percent increase in these jobs is the second highest gain in the Commonwealth's 15 metro areas, trailing only neighboring Harrisburg-Lebanon-Carlisle. With 102,200 jobs in these establishments, 1990 marks the eighth consecutive year of record service producing job levels. These industries are likely to continue generating practically all new jobs in the regional economy as the factory sector's sluggishness is expected to continue.

York

There are definite signs of some weakening in the economy of the bi-county York metropolitan area. However, as is the case throughout much of the State, what strength there is in the economy is found in the service producing sector. The region's 2.7 percent gain in service-related jobs in 1990 is more than double the Commonwealth's gain. In recent years, the retail trade and services industries have accounted for the bulk of all new jobs in the region. During 1990, they account for a combined 2,900 new positions. This is nearly identical the the increase averaged over the 1983-1989 period.

Conditions on the goods producing side are considerably worse. For the year, 2,200 jobs have been lost. Over the 1983-1989 period, goods producing job levels increased by about 1,600 per year. Factory production is likely trending slightly down in light of the 7.8 percent decline in electricity sales to industry. Manufacturing job trends are equally worrisome. This is especially true on the durable goods side where jobs are off 6.6 percent from a year ago. Furthermore, recent declines in the average factory workweek suggest that a turnaround in factory job trends is not in the offing.

On the construction front, indicators appear mixed. Job levels are up by 400 for the year to go along with a 43 percent increase in nonresidential contract valuations. However,

York Area[1]

	Ave. mo. value 4 Q.'90	Average monthly index seas. adj. (1977 = 100) 4 Q.'90	3 Q.'90	4 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	211.0	136	136	138
Unemployed, no. of residents	11.5	116	103	98
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	222.5	135	134	135
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	181.4	127	127	127
Srv. Prod. only, no. of jobs	112.5	147	145	144
Goods Prod. only, no. of jobs	69.0	104	106	108
Hrs. worked by production workers in mfg., *ave. weekly*	42.0	101	101	102
Industrial electric power sales	***	105	106	106
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan.-Dec.)	Pct Change From Year-Ago Ytd		
Residential contracts only	204.6	−16		
Nonresidential contracts only	151.7	+43		

[1] Adams and York Counties

at nearly $205 million, residential contract awards are down 16 percent from 1989. In Adams County, the number of permits issued for new projects is off on both the residential and nonresidential sides.

The softening in the economy during 1990 is especially evident in labor force developments. Employment is down a bit from 1989 readings, the first time this has happened since 1983. Recent employment trends are no better than they were during the back-to-back recessions in the early 1980s. At 4.9 percent, the region's jobless rate is up 0.9 percent from a year ago. On the positive side, this compares quite favorably with the State's 5.4 percent reading. In absolute terms, 1,900 more residents are counted among the unemployed relative to a year ago.

The soft spots which began to show up in the economy during 1990 are likely to become even more pronounced as 1991 unfolds. Joblessness will continue to rise with some additional slight downward pressure on employment quite likely. Trends in the goods producing industries are expected to be especially worrisome. Conditions during the first half of the year are likely to be especially weak. Improvement in the second half is dependent upon a reversal in the U.S. economy's fortunes.

— *William D. Anderson*

Pennsylvania Business Survey

February 1991 Vol. 32, No. 2

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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Pennsylvania Business Survey

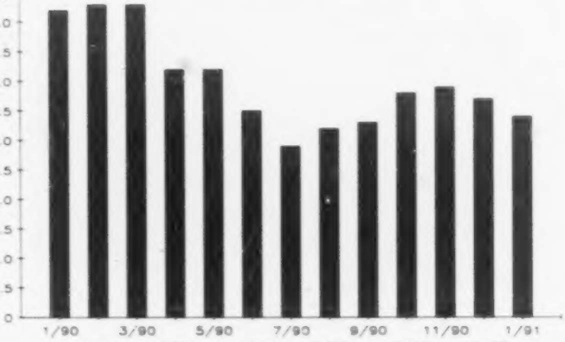
March 1991

WEAKNESS APPARENT ACROSS THE BOARD

There are no signs of strength in the Pennsylvania economy as 1991 is off to a sluggish start. Trends which characterized the latter half of 1990 — a weak job and employment situation, sluggish factory activity, declining construction activity, etc. — remain in place. Some analysts argue that the end of hostilities in the Persian Gulf region will usher in an economic recovery in the nation as a whole, a prerequisite for a rebound in the Commonwealth. Initially, there may well be some improvement in the economy's performance. However, after an initial period of post-war euphoria, the economy is likely to emerge with many existing problems still intact. In a nutshell, the end of the war will not necessarily be the cure-all for the economy that some expect. (As mentioned in previous issues of the *PBS*, the economic impacts associated with the war effort, including its conclusion, are best viewed as secondary relative to other impacts, especially impacts measured in "human" terms.)

This recession was supposed to have been heavily felt in the service industries, which, historically, have held up fairly well during economic downturns. So far, however, at least in terms of the job situation in Pennsylvania, these industries have held up quite well. Four major service industries in the Commonwealth, health, business, educational, and social services, started out 1990 with annual job growth rates in the neighborhood of 5 percent (chart). In recent months, gains have fallen in the 3-3.5 percent range. So, while these industries have been impacted by the national recession, they are still holding up reasonably well. Indeed, except for business services, 1990 job trends in these four industries fall pretty much in line with gains from the 1983-1989 recovery period (table).

RECENT JOB GROWTH IN
MAJOR PA SERVICE INDUSTRIES
(annual percent change)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

Historical job growth in major PA service industries (average annual percent change; 1990 job totals in parenthesis)

	1983-1989	1989-1990
Health services (472,700)	3.5	4.3
Business services (211,000)	5.4	3.3
Educational services (155,900)	2.5	2.3
Social services (103,900)	7.5	7.1

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.

One service-producing area which has been hard-hit by the recession is Pennsylvania's retail trade industry. The Christmas shopping season was not particularly robust. December retail sales were down 1.6 percent from a year ago. On a seasonally adjusted basis, they were off from November readings. After a brief two-month respite, new motor vehicles registered in the Commonwealth resumed a downward trend in December. The 0.8 percent gain in retail sales for 1990 as a whole was the weakest showing in at least a decade (chart).

If anything, trends in the construction industry are worsening, especially on the residential side. New housing units authorized by permit in January are down one-third from a year ago. On a seasonally adjusted basis, the value of residential construction contracts awarded in January plunged from December readings. Trends are a bit more en-

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	Dec.	Pct. chg.	Year-to-date	Pct. chg.
Total	8,220	−1.6	82,749	0.8
Durables	2,434	−4.6	28,255	−3.1
Bldg. mat.	188	−22.3	3,246	−4.9
Auto dlrs.	1,006	−2.5	16,437	−3.2
Furniture	391	−13.7	3,784	0.5
Other	849	3.0	4,788	−3.9
Nondurables	5,786	−0.3	54,494	2.9
Gen. mdse.	1,416	−4.1	9,147	0.8
Food/grocery	1,645	6.2	17,209	3.9
Gas	467	14.2	5,110	8.4
Apparel	548	−7.6	4,230	−0.9
Eat/drink	753	−6.0	9,481	0.3
Drugs	333	1.5	3,169	0.6
Other	624	−3.9	6,148	7.3

Seas. adj. total:	December	6,828
	November	7,067

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

couraging on the nonresidential side, especially in terms of contract valuations.

On a brighter note, residential real estate activity fared well in last year's fourth quarter as sales of existing homes were up 12.2 percent from the final three months of 1989. Still, it is easy to pick up signs of weakness. For 1990 as a whole, existing home sales were off 4.9 percent in Pennsylvania from a year ago. Nationwide, sales in 1990 were off only slightly less, at 4.3 percent.

Factory activity is also feeling the brunt of the national recession. Although subject to revision, **production trends in the Commonwealth's manufacturing establishments in December and January were the weakest since mid-1987. Manufacturing output is down about 6 percent since production reached a recovery period high in early 1989.** On the jobs front, the number of positions on payroll at manufacturing establishments fell below the one million-mark for the first time on record in recent months. In January, the 992,000 jobs in these industries were off by 31,000 from the same period in 1990. Other measures of the factory sector's health, including steel production, the average workweek and earnings trends, also point to some softness in these all-important industries.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
December	47,146	-9.3
1990 YTD	612,419	-8.0

Source: R.L. Polk & Co.

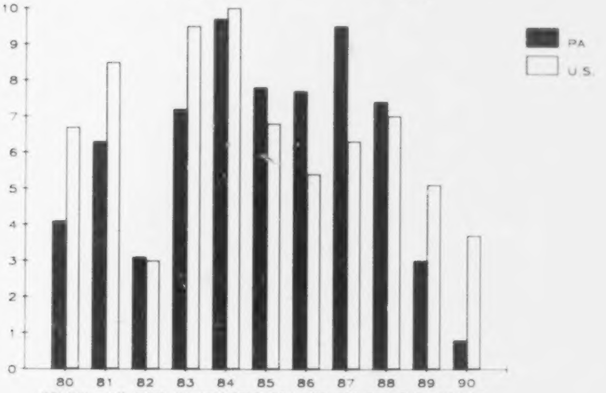
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	Dec.	*Jan.*	*Jan.*	*Dec.*	*Jan.*	*Jan.*	*Dec.*	*Jan.*	*Jan.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,219	5,107	5,089	5,185	5,194	5,176	113.6	113.8	113.4
Service Producing									
No. of wage and salary jobs (thous.)	3,973	3,886	3,833	3,933	3,940	3,887	131.5	131.7	129.9
Transportation and public utilities	274	268	260	270	270	262	103.2	103.2	100.0
Wholesale trade	278	276	275	278	278	277	125.4	125.3	125.0
Retail trade	938	899	897	905	911	909	126.2	127.0	126.8
Finance, insurance & real estate	299	299	298	300	301	301	137.9	138.4	138.2
Service & miscellaneous	1,466	1,447	1,405	1,471	1,474	1,431	170.5	170.9	165.9
Federal government	136	136	140	138	138	142	107.9	107.9	110.7
State & local government	582	561	558	571	568	566	98.0	97.5	97.1
Goods Producing									
No. of wage and salary jobs (thous.)	1,245	1,221	1,255	1,252	1,255	1,289	79.5	79.7	81.9
Construction	219	203	205	225	228	231	122.5	124.1	125.6
Mining	27	26	27	27	27	27	56.0	56.0	57.1
Manufacturing	998	992	1,023	999	999	1,031	74.4	74.5	76.8
Durable goods	562	559	580	561	564	584	69.3	69.6	72.2
Nondurable goods	437	433	444	436	436	447	81.8	81.9	83.9
Ave. wkly. hrs. worked by prod. workers	40.9	39.8	40.6	40.5	40.0	40.8	102.5	101.2	103.2
Total wkly. person-hours worked (mils.)	28.0	27.0	28.6	27.7	27.4	29.0	72.2	71.4	75.6
Total wkly. payroll (mil. dols.)	315.5	304.1	311.3	310.4	306.5	313.6	138.1	136.4	139.6
Average hourly earnings (dollars)	11.27	11.26	10.88	11.22	11.23	10.85	191.8	191.9	185.4
Average weekly earnings (dollars)	460.94	448.15	441.73	452.96	449.07	442.34	195.8	194.1	191.2
Steel production (thous. tons)	889	940	1,034	n.a.	n.a.	n.a.	46.1	44.5	49.1
Industrial electric power sales (mil. kwh)	3,587	3,685	3,807	3,648	3,715	3,838	98.8	100.6	103.9
Mining									
Anthracite coal (thous. net tons)	183	210	237	191	265	300	39.0	54.2	61.4
Bituminous coal (thous. net tons)	4,485	5,029	6,045	5,104	5,238	6,063	72.4	74.3	86.0
Construction contracts awarded (mil. dols.)									
Total	558.5	573.3	565.1*	662.3	829.0	847.4*	205.9	257.7	263.4*
Residential building	246.2	155.6	194.5*	324.8	211.5	282.5*	230.8	150.3	200.7*
Nonresidential building	198.7	354.4	244.4*	233.8	526.4	370.6*	215.5	485.2	341.6*
Nonbuilding (utilities and public works)	113.6	63.3	126.2*	103.7	91.1	194.3*	143.1	125.6	268.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,567	5,416	5,513	5,566	5,505	5,601	115.8	114.6	116.6
Unemployed									
No. of persons (thous.)	324	415	348	341	364	299	84.9	90.7	74.6
Rate (percentage of labor force)	5.5	7.1	5.9						
Rate, seasonally adjusted				5.7	6.3	5.2			
Civilian labor force, no. of persons (thous.)	5,891	5,831	5,860	5,906	5,869	5,900	113.4	112.7	113.3
Initial claims for unemployment benefits	155,811	190,206	149,608	107,520	115,436	87,641	75.1	80.6	61.2

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990-91		1990	*Month*	*Year*
	Dec.	*Jan.*	*Jan.*	*Ago*	*Ago*
U.S. city average	133.8	134.6	127.4	0.6	5.7
Philadelphia	139.4	140.4	131.2	0.7	7.0
Pittsburgh	129.1	n.a.	121.8&	n.a.	6.0

[1] Total includes workers on strike. * = figure revised & figure for December 1989 n.a. = data not available

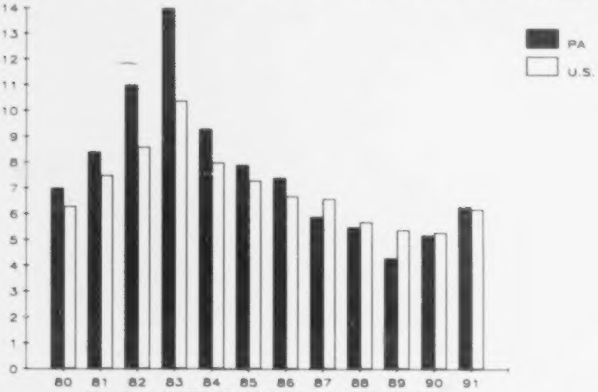
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA AND U.S. RETAIL SALES GROWTH
(annual percent change)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

PA AND U.S. JANUARY UNEMPLOYMENT RATES
(seasonally adjusted rates for January of each year)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATISTICS.

New Pennsylvania building permit authorizations (percent change from year ago)

	Jan.	Pct. chg.
Residential	1,698	−32.1
Nonresidential	650	−7.9

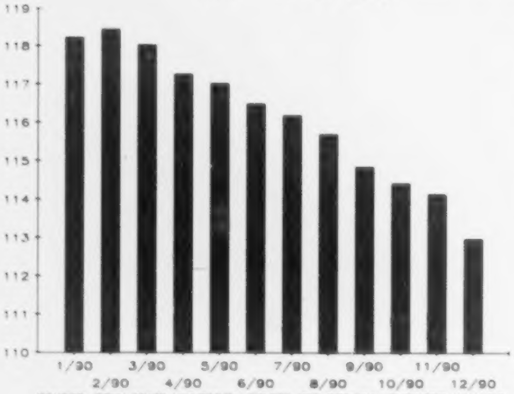
Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania existing home sales (seas. adj. ann. rates; thousands)

		Pct. change	
	Sales	Qt. ago	Yr. ago
1990:IVQ	263.1	7.8	12.2
1990:IIIQ	244.1	8.5	−1.9
1990 YTD	231.0	n.a.	−4.9

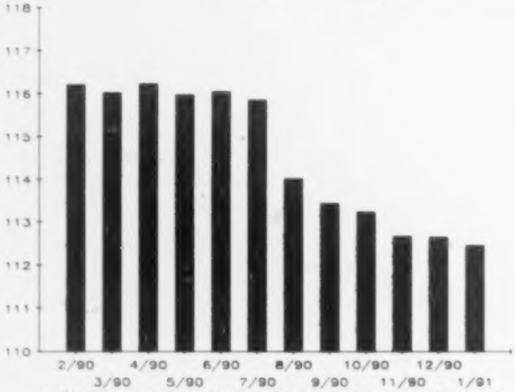
Source: National Association of Realtors.
Most recent data are preliminary.

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Taken as a whole, nonfarm job trends remain their weakest in several years. January readings were up just 0.4 percent on an annual basis. The only positive trends are those found in the service industries (highlighted above). The substantial seasonally adjusted job gain in retail trade industries in January, relative to December, is misleading. It is the result of less-than-normal layoffs following the holiday shopping season as fewer temporary workers were added to payrolls in expectation of the sluggish buying trends. At 899,000, retail trade job totals in January were up by only 2,000 from a year ago. Still, despite the problems evident in several industries, nonagricultural job totals remain at a record high, though just barely.

Recent unemployment trends provide considerable insight into the Pennsylvania economy's overall performance of late. For the second straight year, the most recent jobless rate for the month of January is up from a year ago (see chart). During the 1984-1989 period, there was continuous improvement in this measure of the economy's health. Additionally, over the 1987-1990 period, the Commonwealth maintained a jobless rate which consistently remained a notch below the nation's. However, recent trends show signs of a reversal in this pattern. **At a seasonally adjusted 6.3 percent in January, the State's jobless rate was higher than at any other time since mid-1986.** Further deterioration is apparent in the February reading, the first indicator of the economy's health for that month. **The number of Pennsylvania residents officially listed as employed in January was off by nearly 100,000 from a year ago.**

The fact that the national recession has entrenched itself in Pennsylvania is evident in recent trends in the Pennsylvania Index of Coincidental Indicators (chart). **The PICI has declined in each of the past ten months** (through December). There has been significant deterioration in each of the four components — nonfarm jobs, factory production, real retail sales, and the U.S. coincidental index — of the index in recent months. Much the same is true for the Pennsylvania Index of Leading Indicators. This gauge of future expectations fell off considerably in the second half of last year with weakness continuing into the first month of 1991 (chart). This suggests that **there is little likelihood of a rebound for at least the next several months. If the much-discussed mid-year recovery is to unfold, signs should emerge in the PILI within the next month or two.**

— *William D. Anderson*

Personal Income Report

Pennsylvania personal income (seas. adj. ann. rate; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1990:IIIQ	221,409	1.2	5.8	220,379	1.3	5.7
1990:IIQ	218,707	1.7	5.8	217,634	1.8	5.8
1990 YTD	218,376	n.a.	5.7	217,296	n.a.	5.6

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

Last year's third quarter brought with it further evidence that personal income trends were showing signs of weakening along with other measures of the economy's health. These trends provide further confirmation that the national recession settled home in Pennsylvania sometime during the second half of last year. During the July-September period, personal income, the total of all income received by individuals including wages and salaries, interest/dividend/rent income, and transfer payments, was up 5.8 percent from a year ago. Personal income came in at an annual rate of $221.4 billion during the period. Nationally, income was up a slightly stronger 6.3 percent. These most recent trends represent a continuation of the long-term pattern which finds the Commonwealth coming up a bit short of national norms in terms of personal income growth.

The sluggish pace of economic growth last year in Pennsylvania is perhaps most evident in the growth in "real" or inflation-adjusted income. Real income was up a minimal 0.2 percent over year-ago readings during the third quarter. Gains were below 1 percent in each of the first three quarters of 1990. Pennsylvania has not put together such a string of unimpressive showings since the early 1980s, during the State's previous bouts with recession.

Clearly, the Commonwealth economy was limping as it entered into the final months of 1990. Expectations are for continued sluggish trends until at least the middle of 1991.

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April 1991

LITTLE RELIEF IN STORE FOR THE PENNSYLVANIA ECONOMY

Nationally, the current recession is showing a bit more staying power than was originally thought to be the case only a few months ago. **In Pennsylvania, economic conditions have deteriorated faster than expected and the downturn has been more pronounced than anticipated. Conditions are not expected to get much better in the coming months in the Commonwealth. A recovery can confidently be ruled out, at least for the next several months. The big question revolves around whether the State's economy will continue to deteriorate at a rate similar to recent trends, whether the rate of decline will become more pronounced, or whether the rate of decline will ease a bit, perhaps allowing the economy to settle into a holding pattern. Regardless of which scenario pans out, upward pressure on joblessness, weak employment trends, declines in construction activity, sluggish retail sales growth, and cutbacks in factory activity are likely to continue, at least until mid year.**

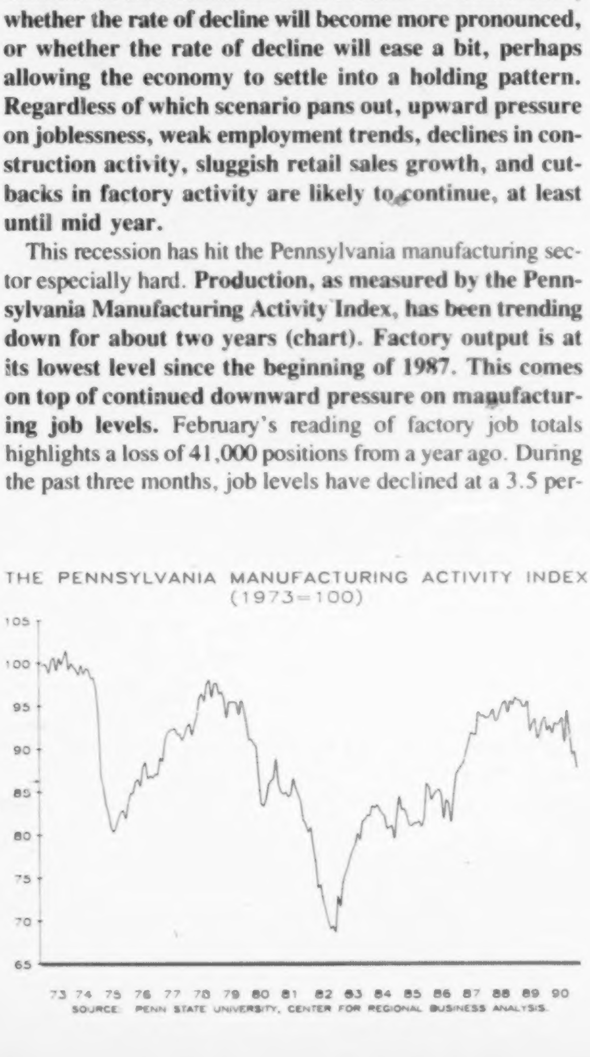
This recession has hit the Pennsylvania manufacturing sector especially hard. **Production, as measured by the Pennsylvania Manufacturing Activity Index, has been trending down for about two years (chart). Factory output is at its lowest level since the beginning of 1987. This comes on top of continued downward pressure on manufacturing job levels.** February's reading of factory job totals highlights a loss of 41,000 positions from a year ago. During the past three months, job levels have declined at a 3.5 percent annual clip. Over the course of the back-to-back recessions of the early 1980s, manufacturing jobs fell at a rate of 5.7 percent.

Earnings on the part of manufacturing production workers have not kept pace with inflation of late. During the first two months of 1991, average hourly earnings are up 3.2 percent. Measured on a weekly basis, earnings are up an even weaker 1.8 percent. These gains fall well short of advances in the overall level of prices. Such a trend is not new. Pennsylvania's manufacturing workers have struggled to maintain purchasing power for several years.

As an aside, earnings on the part of Pennsylvania factory workers are on the rise, relative to their national counterparts. Throughout the first half of the 1980s, average hourly earnings declined as a percent of the U.S. average (chart). There was an especially sharp dropoff associated with the early 1980s recessions. The trend continued downward until 1986, when Pennsylvania wages came in just one-tenth of a percentage point above national norms. In 1980, earnings stood at 104.4 percent of the U.S. average. Since 1986, Pennsylvania wages have increased relative to the nation so that, as of 1990, they were 1.8 percent higher than in the U.S. as a whole.

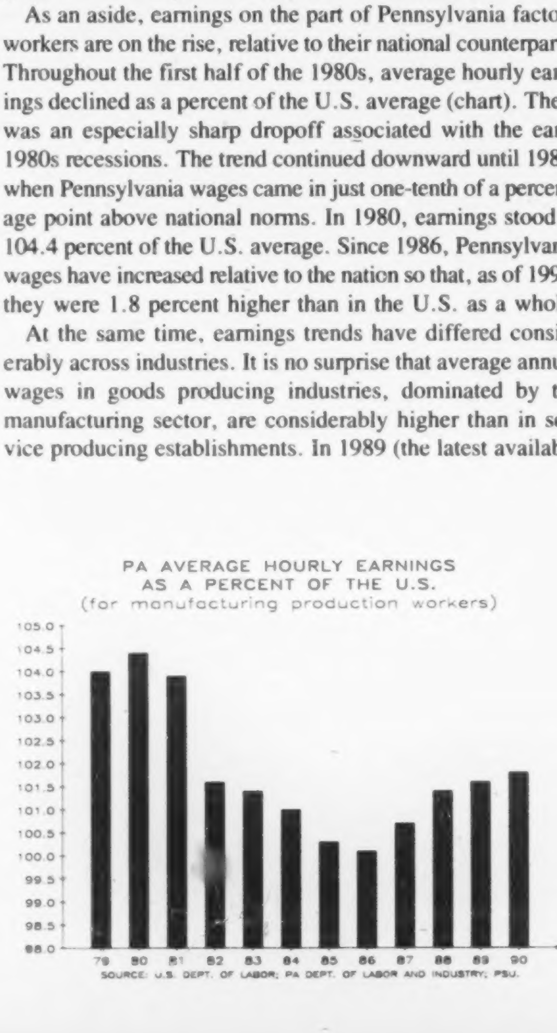
At the same time, earnings trends have differed considerably across industries. It is no surprise that average annual wages in goods producing industries, dominated by the manufacturing sector, are considerably higher than in service producing establishments. In 1989 (the latest available

THE PENNSYLVANIA MANUFACTURING ACTIVITY INDEX
(1973=100)



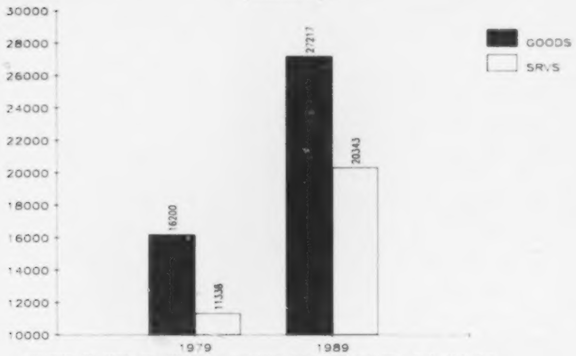
SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PA AVERAGE HOURLY EARNINGS
AS A PERCENT OF THE U.S.
(for manufacturing production workers)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY; PSU.

PA GOODS PRODUCING AND SERVICE PRODUCING AVERAGE ANNUAL WAGES: 1979 AND 1989
(dollars)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

data), annual wages on the goods producing side totaled $27,217 in Pennsylvania vs. $20,343 on the service producing side (chart). Service producing wages were 74.7 percent of the goods producing average. What is interesting is that this share is up from the 70 percent reading a decade earlier. It appears that relatively strong job growth in service-type industries has resulted in stronger wage gains than in goods producing firms over time in Pennsylvania.

Elsewhere on the goods producing side, **housing activity shows no signs of breaking out of its recent slump. In February, the number of new housing units authorized by permit were off 27 percent from a year ago.** While the seasonally adjusted value of residential construction contracts awarded was up slightly from January readings, February valuations were off nearly 30 percent from a year ago. For

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1991		1990	1991		1990	1991		1990
	Jan.	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,105*	5,106	5,108	5,192*	5,176	5,180	113.7*	113.4	113.5
Service Producing									
No. of wage and salary jobs (thous.)	3,885*	3,901	3,858	3,939*	3,936	3,893	131.7	131.6	130.2
Transportation and public utilities	267*	267	261	270	269	263	103.0*	102.9	100.5
Wholesale trade	276	274	275	278	277	277	125.3	124.8	125.0
Retail trade	900*	888	887	912*	910	909	127.2*	126.8	126.8
Finance, insurance & real estate	299	298	299	301	301	302	138.4	138.5	138.7
Service & miscellaneous	1,445*	1,457	1,422	1,472*	1,472	1,437	170.6*	170.7	166.6
Federal government	136	137	141	138	138	141	107.8*	107.4	110.4
State & local government	562*	580	575	570*	571	566	97.8*	97.9	97.0
Goods Producing									
No. of wage and salary jobs (thous.)	1,220*	1,203	1,249	1,253*	1,240	1,287	79.6*	78.8	81.8
Construction	203	198	203	228	226	232	124.0*	122.9	126.0
Mining	26	26	27	27	27	28	56.0	56.0	57.5
Manufacturing	991*	979	1,020	998*	987	1,028	74.4*	73.6	76.6
Durable goods	558*	548	577	562*	554	583	69.4*	68.4	72.0
Nondurable goods	434*	431	443	436	433	445	82.0*	81.4	83.6
Ave. wkly. hrs. worked by prod. workers	39.8	40.2	40.5	40.0	40.5	40.8	101.2	102.5	103.2
Total wkly. person-hours worked (mils.)	26.9	26.9	28.4	27.4	27.3	28.8	71.3*	71.1	75.1
Total wkly. payroll (mil. dols.)	303.3*	301.7	309.8	305.7*	306.0	314.2	136.1*	136.2	139.8
Average hourly earnings (dollars)	11.25	11.24	10.91	11.22	11.22	10.89	191.7*	191.8	186.1
Average weekly earnings (dollars)	447.75	451.85	441.86	448.65	455.04	444.77	193.9*	196.7	192.3
Steel production (thous. tons)	940	649	921	n.a.	n.a.	n.a.	44.5	31.5	44.5
Industrial electric power sales (mil. kwh)	3,685	3,497	3,651	3,715	3,586	3,741	100.6	97.1	101.3
Mining									
Anthracite coal (thous. net tons)	210	206	221	265	254	273	54.2	51.9	55.9
Bituminous coal (thous. net tons)	5,029	4,884	5,985	5,238	4,953	6,068	74.3	70.2	86.0
Construction contracts awarded (mil. dols.)									
Total	573.3	577.0	555.9*	829.0	885.8	859.4*	257.7	275.3	267.1*
Residential building	155.6	139.3	198.1*	211.5	220.7	315.3*	150.3	156.8	224.0*
Nonresidential building	354.4	296.4	291.6*	526.4	459.4	449.9*	485.2	423.5	414.7*
Nonbuilding (utilities and public works)	63.3	141.3	66.2*	91.1	205.7	94.2*	125.6	283.9	130.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,416	5,432	5,510	5,505	5,532	5,615	114.6	115.1	116.8
Unemployed									
No. of persons (thous.)	415	443	373	364	397	329	90.7	99.0	82.1
Rate (percentage of labor force)	7.1	7.5	6.3						
Rate, seasonally adjusted				6.3	6.7	5.6			
Civilian labor force, no. of persons (thous.)	5,831	5,876	5,883	5,869	5,929	5,944	112.7	113.9	114.2
Initial claims for unemployment benefits	190,206	117,972	90,546	115,436	125,441	96,439	80.6	87.6	67.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1991		1990	*Month*	*Year*
	Jan.	*Feb.*	*Feb.*	*Ago*	*Ago*
U.S. city average	134.6	134.8	128.0	0.1	5.3
Philadelphia	140.4	140.6	132.2	0.1	6.4
Pittsburgh	n.a	129.3	123.4	n.a.	4.8

[1] Total includes workers on strike.   * = figure revised   n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

New Pennsylvania building permit authorizations (percent change from year ago)

	Feb.	Pct. chg.	Year-to-date	Pct. chg.
Residential	1,784	−26.9	3,471	−29.4
Nonresidential	869	1.8	1,493	− 2.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

the construction sector as a whole, strong growth in the non-building sector helped push up overall activity as measured by the value of contracts awarded.

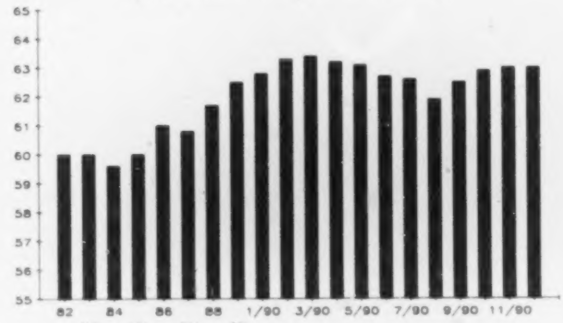
Weakness abounds on the jobs front, even beyond the discouraging trends in the factory sector outlined above. **Of the ten broad industry groups examined, nine saw seasonally adjusted job readings decline slightly or hold steady in February compared to January. Only the State and local government sector added workers, albeit minimally. Only four of the ten industries maintained higher job readings in February compared to a year ago.** In services, itself, February job readings were up 35,000 on an annual basis. On a seasonally adjusted basis, however, job levels have held essentially steady for about the past quarter, suggesting that these industries are also feeling the impacts of the recession.

The most widely-followed measures of the economy's health, employment and unemployment trends, signal a clear deterioration in the overall economy. **February marked the 16*th* consecutive month in which the jobless rate came in above year-ago readings. In the 14 months stretching back to the beginning of 1990, employment totals settled in below year-ago tallies nine times.** February's 6.7 percent jobless rate, seasonally adjusted, was up 1.1 percentage point from a year ago and 0.4 point from January. Continued upward pressure on initial claims for unemployment benefits suggest that further increases in joblessness are likely in the months ahead. Although up by 27,000 from January, the 5.53 Pennsylvanians listed as employed in February were down 83,000 from a year ago. These data are also available for March and represent the first reading of the economy's health for that month. They show continued deterioration in general employment/unemployment trends.

Periodically, trends in the labor force participation rate are examined in the *PBS*. The participation rate expresses the number of State residents in the labor force as a percent of the adult population. Recent behavior in this economic indicator is also consistent with the onset of recession in 1990. After rising almost continuously following the recessions in the early 1980s, the participation rate showed signs of leveling off in 1990 (chart). Typically, the rate rises during recoveries as more workers enter the labor force in response to the perceived availability of jobs. During economic downturns, the rate stabilizes or trends down as labor force growth eases or turns negative in response to a perceived lack of adequate job opportunities.

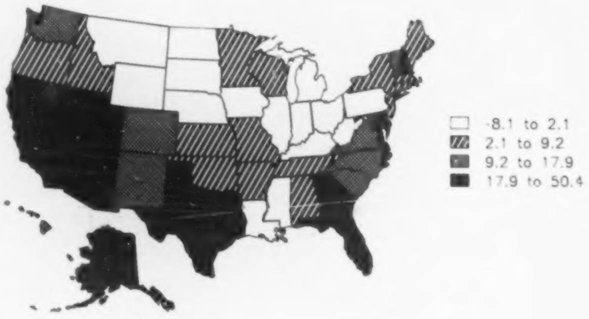
One of the demographic factors which has shaped the Pennsylvania economy's performance in recent years, and is likely to do so for years to come, concerns slow population growth in the Commonwealth. Between 1980 and 1990, Pennsylvania's population grew a weak 0.13 percent. Only five states, plus the District of Columbia, turned in weaker growth rates (map). Nationwide, population growth came in at 9.8 percent. This is not a recent phenomenon. Over the 1950-1980 period, Pennsylvania population growth was only about one-fourth the U.S. average (chart).

HISTORICAL AND RECENT TRENDS IN THE PA LABOR FORCE PARTICIPATION RATE
(labor force as a percent of the population--16 yrs. and over)



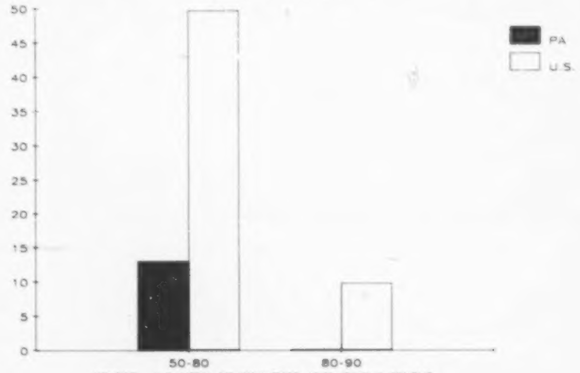
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

1980-1990 POPULATION GROWTH
(percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS.

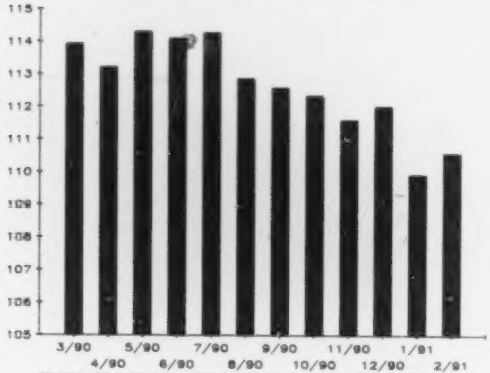
1950-1980 AND 1980-1990 POPULATION GROWTH: PA AND THE U.S.



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS.

The Pennsylvania Index of Leading Indicators (PILI) is not yet picking up signs that this recession is nearing an end. This measure of future expectations has been on a downtrend for several months (chart). Some may see a silver lining in recent developments. In two of the past three months, the index has gained some ground. Only time will tell if that is the start of a trend. However, as pointed out above, these gains, at best, may be the first signs that the Pennsylvania economy is showing any

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

indication of stabilizing. These more recent increases should not be interpreted as possibile signs of a full-fledged recovery in the Commonwealth. (There has been some slight modifications to the component variables comprising the PILI. Housing permit authorizations have been replaced by the value of residential construction contracts awarded and the average factory workweek has been added. These two variables, along with initial claims for unemployment benefits and the U.S. leading indicators, now make up the composite. Also, the U.S. Bureau of the Census is currently revising historical retail sales data for Pennsylvania, precluding the calculation of the Pennsylvania Index of Coincidental Indicators this month.)

— *William D. Anderson*

Pennsylvania Composite Indexes of Coincidental (PICI) and Leading (PILI) Indicators of economic activity

			Mo. pct. change	
	PICI	PILI	PICI	PILI
February 1990	118.5	114.0	0.3	−0.5
March	118.0	113.9	−0.4	0.0
April	117.3	113.2	−0.6	−0.6
May	117.0	114.3	−0.3	1.0
June	116.5	114.1	−0.4	−0.2
July	116.2	114.3	−0.3	0.1
August	115.7	112.9	−0.4	−1.2
September	114.9	112.6	−0.7	−0.2
October	114.4	112.4	−0.4	−0.2
November	114.2	111.6	−0.2	−0.7
December	113.0	112.0	−1.1	0.4
January 1991	n.a.	109.9	n.a.	−1.9
February	n.a.	110.6	n.a.	0.6

Source: Penn State University, Center for Regional Business Analysis.

Pennsylvania Business Survey

April 1991 Vol. 32, No. 4

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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U.Ed. BUS 91-67

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Pennsylvania Business Survey

May 1991

NO SIGNS YET OF RECOVERY . . . ALTHOUGH WORST MAY BE BEHIND US

The news on the economic front in Pennsylvania remains worrisome based upon trends through the first quarter of 1991. **Signs of the deteriorating economy evident in previous months remained in place during March: a worsening labor force situation, weak job trends across most industries (including service producing), dismal residential construction activity, and downward pressure on factory production.** Through the month of February, the Pennsylvania Index of Coincidental Indicators (PICI) of economic activity, designed to mirror current trends, had declined in nine consecutive months (chart).

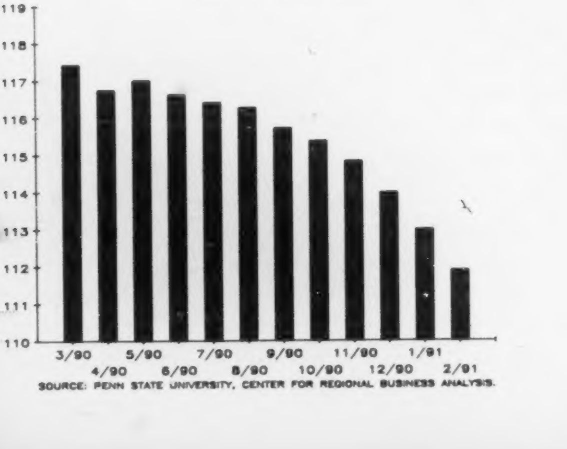
The silver lining in the most recent batch of data revolves around the Pennsylvania Index of Leading Indicators (PILI). The PILI increased slightly in both February and March and in three of the past four months (chart). It has previously been argued in the *PBS* that the much-discussed mid-year recovery in the national economy (and hence, in Pennsylvania) should perhaps be viewed as a best-case scenario, an argument which still stands. The recent improvement in the PILI *may* be a sign that the worst of this recession will soon be behind us. It is not likely that it is signaling the onset of recovery, but instead, a more stable period. As an aside, in that this recession will not likely prove to be nearly as severe as in the early 1980s, the ensuing recovery is not expected to be nearly as robust as in the 1983-1985 period.

Through the first quarter, inflation (as measured by the percent change in the Consumer Price Index) averaged 6.3 percent in the Philadelphia region and 4.8 percent in the Pittsburgh metro area (table). Inflationary pressures appear to be easing, however, as increases from fourth quarter 1990 were minimal. In both regions, energy prices during the first three months of this year tumbled more than 7 percent from the previous quarter. *(Beginning with this issue of the* Survey, *detailed Consumer Price Index statistics will be presented on a quarterly basis in conjunction with the "Around the State" section.)*

Conditions on the construction front remain weak. The number of new residential and nonresidential projects authorized by permit declined again in March. Of the 14 metro area counties for which complete data are available, ten realized declines in residential permit activity during the first quarter compared to a year ago. Typically, March represents the first calendar month of improved employment conditions in the construction sector as the building season approaches. While job levels did increase from February readings this year, the gain was less than expected (based upon past seasonal trends) for only the second time in the past seven years (chart). All told, the 204,000 construction jobs in the Commonwealth during March were off by 8,000 from year-ago readings.

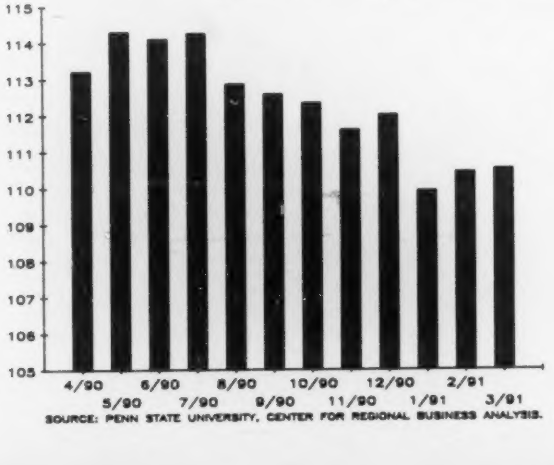
However, consistent with the hypothesis presented above, **there are signs that the construction sector's problems may be lessening a bit.** Through the first quarter of this year, the value of total construction contracts awarded was off 5 percent from a year ago. During the first quarter of 1990, contract valuations were off 7.1 percent on an annual basis. March's 11.1 percent decline in new residential permits from

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

a year ago was the smallest decline in a year. On a seasonally adjusted basis, the value of residential contract awards increased slightly in both February and March, though readings remain below a year ago.

On the other hand, **there are few signs that the downward spiral in retail activity is lessening. In fact, February's 10.1 percent decline in retail sales from a year ago was the strongest annual decline on record** (data are available back to 1978). So far this year, the weakness remains concentrated on the durable goods side. Sales were off from a year ago in both the Philadelphia and Pittsburgh metro areas. The number of new motor vehicles registered in Pennsylvania also continues to spiral downward.

The manufacturing sector continues to be especially hard-hit by this recession. Job levels continue to plummet as they remained at an all-time low after seasonal adjustment. Over the course of the past two years, nearly 70,000 factory jobs were lost in the Commonwealth. Factory production continues to hover near its lowest readings since early 1987.

At a seasonally adjusted 7.4 percent, the State's jobless rate in March stood at its highest reading in five years. Employment totals came in at their lowest tally in three years. On a brighter note, April brought with it considerable improvement on the employment/unemployment front. First quarter trends were unimpressive throughout the Commonwealth. Of the State's 67 counties, only Cameron's jobless rate came in below a year ago. Close to one-half (30) of all counties were home to double-digit jobless rates during the first three months of this year. Employment levels were lower than year-ago readings in 62 counties. In the remaining five,

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1991		1990	1991		1990	1991		1990
	Feb.	*Mar.*	*Mar.*	*Feb.*	*Mar.*	*Mar.*	*Feb.*	*Mar.*	*Mar.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,106	5,126	5,147	5,176	5,165	5,185	113.4	113.1	113.6
Service Producing									
No. of wage and salary jobs (thous.)	3,904*	3,919	3,886	3,939*	3,933	3,901	131.7*	131.5	130.4
Transportation and public utilities	267	268	262	269	269	264	103.0*	102.9	100.7
Wholesale trade	273*	274	276	276*	275	278	124.4*	123.9	125.2
Retail trade	888	893	892	910	910	909	126.8	126.9	126.7
Finance, insurance & real estate	298	298	300	301	301	302	138.4*	138.2	138.8
Service & miscellaneous	1,459*	1,467	1,436	1,475*	1,474	1,444	171.0*	170.9	167.4
Federal government	136*	136	143	137*	135	142	106.9*	105.7	111.1
State & local government	582*	584	578	573*	571	566	98.2*	98.0	97.1
Goods Producing									
No. of wage and salary jobs (thous.)	1,200*	1,207	1,258	1,238*	1,233	1,285	78.6*	78.3	81.6
Construction	198	204	212	226	225	233	123.1*	122.4	126.7
Mining	26	26	27	27	27	28	55.8*	55.4	57.5
Manufacturing	977*	977	1,020	985*	982	1,025	73.4*	73.2	76.3
Durable goods	545*	547	578	551*	550	581	68.1*	67.9	71.8
Nondurable goods	431	430	442	434*	432	444	81.5*	81.2	83.3
Ave. wkly. hrs. worked by prod. workers	40.1*	40.2	40.6	40.4*	40.4	40.8	102.3*	102.3	103.2
Total wkly. person-hours worked (mils.)	26.6*	26.7	28.5	27.1*	27.0	28.8	70.5*	70.4	75.0
Total wkly. payroll (mil. dols.)	298.8*	300.7	311.8	303.1*	304.1	315.3	134.9*	135.3	140.3
Average hourly earnings (dollars)	11.22	11.26	10.95	11.20	11.28	10.98	191.4*	192.9	187.7
Average weekly earnings (dollars)	449.92	452.65	444.57	453.09	454.92	446.87	195.9*	196.7	193.2
Steel production (thous. tons)	648*	726	954	n.a.	n.a.	n.a.	31.4	30.9	40.6
Industrial electric power sales (mil. kwh)	3,497	3,582	3,797	3,586	3,561	3,789	97.1	96.4	102.6
Mining									
Anthracite coal (thous. net tons)	206	220	266	244	228	285	50.0	46.8	58.4
Bituminous coal (thous. net tons)	4,884	5,486	6,877	5,003	4,782	6,204	70.9	67.8	88.0
Construction contracts awarded (mil. dols.)									
Total	577.0	688.9	804.1*	885.8	643.1	721.9*	275.3	199.9	224.4*
Residential building	139.3	248.1	341.5*	220.7	225.2	304.5*	156.8	160.0	216.4*
Nonresidential building	296.4	312.6	304.4*	459.4	322.6	293.2*	423.5	297.4	270.3*
Nonbuilding (utilities and public works)	141.3	128.2	158.2*	205.7	95.3	124.2*	283.9	131.5	171.3*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,432	5,359	5,599	5,532	5,416	5,664	115.1	112.7	117.9
Unemployed									
No. of persons (thous.)	443	438	316	397	430	307	99.0	107.2	76.5
Rate (percentage of labor force)	7.5	7.6	5.3						
Rate, seasonally adjusted				6.7	7.4	5.2			
Civilian labor force, no. of persons (thous.)	5,876	5,797	5,915	5,929	5,846	5,971	113.9	112.3	114.7
Initial claims for unemployment benefits	117,972	109,651	88,117	125,441	128,804	100,947	87.6	90.0	70.5

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1991		1990		
	Feb.	*Mar.*	*Mar.*	*Month Ago*	*Year Ago*
U.S. city average	134.8	135.0	128.7	0.1	4.9
Philadelphia	140.6	141.0	133.6	0.3	5.5
Pittsburgh	129.3	n.a.	123.4&	n.a.	4.8

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[1] Total includes workers on strike. * = figure revised & = figure for February 1990 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

New Q

1991 first quarter Consumer Price Index trends: Philadelphia[1] and Pittsburgh[2] areas

	1991:IQ CPI (1982-84 = 100)	Pct. chg. from previous qtr.	Pct. chg. from year-ago qtr.
Philadelphia (All items)	140.7	1.1	6.3
Food and beverages	135.1	1.7	4.1
Housing	143.7	1.8	6.4
Apparel and upkeep	104.2	1.7	10.3
Transportation	131.4	–1.5	5.0
Medical care	177.7	2.5	10.5
Entertainment	133.8	–0.2	0.8
Other goods and services	183.2	2.5	12.2
Special indexes:			
Energy	106.9	–7.4	6.0
Services	160.3	2.1	6.7
Pittsburgh (All items)	129.3	0.0	4.8
Food and beverages	128.7	2.7	4.7
Housing	128.8	1.2	6.2
Apparel and upkeep	125.9	–1.1	1.3
Transportation	113.0	–4.8	3.4
Medical care	168.9	1.8	9.4
Entertainment	139.5	–0.3	2.0
Other goods and services	151.2	–2.2	2.8
Special indexes:			
Energy	111.8	–7.3	10.3
Services	136.9	1.0	5.5

Source: U.S. Dept. of Labor; PSU, Ctr. for Reg. Bus. Analysis.

1 Includes counties in PA, DE, NJ, and MD.

2 Includes Allegheny, Fayette, Washington, Westmoreland, and Beaver Counties.

PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1991: IQ	Pct. chg.
Residential units		
Allentown-Beth. MSA	309	–28.1
Carbon	18	–35.7
Lehigh	117	–39.1
Northampton	174	–17.1
Beaver County MSA	54	–52.6
Philadelphia MSA	1,852	–14.1
Bucks	605	14.2
Chester	591	28.5
Delaware	139	–49.1
Montgomery	344	–59.5
Philadelphia	173	284.4
Pittsburgh MSA	625	–31.6
Allegheny	349	–33.1
Fayette	47	2.2
Washington	79	–42.3
Westmoreland	150	–28.2
Adams County	79	–52.7
Nonres. buildings		
Allentown-Beth. MSA	203	–35.6
Carbon	25	–34.2
Lehigh	82	–43.8
Northampton	96	–26.7
Beaver County MSA	49	19.5
Philadelphia MSA	587	–27.4
Bucks	164	–39.5
Chester	136	–29.5
Delaware	71	–13.4
Montgomery	192	–15.8
Philadelphia	24	–29.4
Pittsburgh MSA	296	–23.1
Allegheny	156	–9.8
Fayette	21	–46.2
Washington	48	–40.0
Westmoreland	71	–23.7
Adams County	41	–12.8

Source: U.S. Dept. of Commerce, Bureau of the Census; PSU, Ctr. for Reg. Bus. Analysis.

New Pennsylvania building permit authorizations (percent change from year ago)

	Mar.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,264	–11.1	6,794	–21.4
Nonresidential	1,442	–20.9	2,885	–12.3

Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	February	Pct. chg.	Year-to-date	Pct. chg.
Total	5,453	–10.1	11,068	–8.6
Durables	1,678	–24.2	3,328	–22.9
Bldg. mat.	147	–27.9	298	–28.4
Auto dlrs.	1,002	–19.5	1,945	–22.2
Furniture	229	–25.9	483	–24.1
Other	300	–34.1	602	–21.4
Nondurables	3,775	–2.0	7,740	–0.6
Gen. mdse.	492	–5.9	952	–4.9
Food/grocery	1,288	0.1	2,667	2.4
Gas	368	–1.1	781	2.0
Apparel	262	1.6	523	–3.7
Eat/drink	615	–12.4	1,211	–14.1
Drugs	273	10.5	563	8.7
Other	477	3.2	1,043	9.9

Seas. adj. total:	February	6,423
	January	6,573

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.

Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

Philadelphia and Pittsburgh metropolitan area retail sales (millions of dollars; pct. chg. from year ago; data through Feb.)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	4,812	–8.9	1,942	–4.9
Durables	1,593	–17.5	552	–15.3
Bldg. mat.	134	–25.6	56	–17.6
Auto dlrs.	961	–9.4	276	–16.4
Furniture	262	–9.7	80	8.1
Other	236	–41.1	140	–22.2
Nondurables	3,219	–3.9	1,390	0.1
Gen. mdse.	392	–3.0	202	–3.8
Food/grocery	1,160	1.7	376	–1.1
Gas	278	1.8	166	4.4
Apparel	258	–10.1	115	4.5
Eat/drink	469	–17.3	235	–17.3
Drugs	259	6.6	157	7.5
Other	403	–6.9	139	39.0

Source: U.S. Dept. of Commerce, Bur. of the Census.

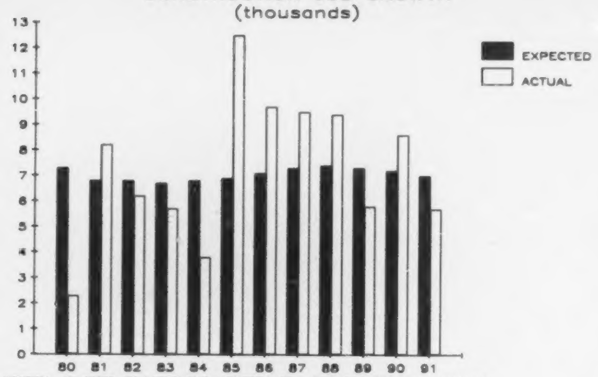
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
February	36,465	–26.5
1991 YTD	77,338	–23.0
12-month total	589,378	–11.1

Source: R.L. Polk & Co.

MARCH EXPECTED AND ACTUAL CONSTRUCTION JOB GROWTH
(thousands)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

Nonfarm job growth trends by metro area (average annual percent change; rank in parenthesis)

	1980-1983	.1983-1989	1990:IQ-1991:IQ
Southwest			
Altoona	−3.3 (12)	2.3 (8)	0.6 (6)
Johnstown	−5.0 (13)	1.8 (12)	1.4 (2)
Beaver	−9.9 (15)	−1.8 (15)	0.0 (10)
Pittsburgh	−2.8 (11)	1.3 (14)	1.1 (5)
State College	1.9 (1)	4.0 (1)	0.3 (8)
Northwest			
Erie	−2.7 (10)	2.0 (11)	2.0 (1)
Sharon	−5.4 (14)	1.7 (13)	1.4 (3)
Northeast			
Allentown-Bethlehem	−2.0 (8)	2.2 (9)	1.2 (4)
Scranton-Wilkes-Barre	−0.8 (6)	2.5 (6)	−0.1 (12)
Williamsport	−2.3 (9)	3.0 (5)	−0.4 (13)
Southeast			
Harrisburg-Lebanon-Carlisle	−0.4 (4)	3.1 (4)	0.4 (7)
Lancaster	−0.2 (3)	3.8 (2)	−0.9 (14)
Philadelphia	−0.1 (2)	2.4 (7)	−0.1 (11)
Reading	−0.7 (5)	2.2 (10)	−1.4 (15)
York	−1.5 (7)	3.2 (3)	0.2 (9)

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.

they were unchanged.

Job trends are weak across practically all industries. Only the services industry showed any noticeable gain from a year ago. Total nonfarm jobs, at 5,126,000 in March, were off by more than 20,000 from a year ago.

Throughout the 1980s, those metro areas with the strongest job gains were found in the eastern half of the State, especially in the southeast (the State College area was an exception). That was the case during the recessionary 1980-1983 period and the 1983-1989 recovery (table). Recent trends suggest that other regions of the Commonwealth are holding up relatively well during this recession. Of the six metro areas with the strongest job gains between the first quarters of 1990 and 1991, five were in the southwest or northwest quadrants of the State. During the 1980s, including both the recessionary period and the recovery, five of the top six areas (in terms of nonagricultural job growth) were in the southeast and northeast quadrants. Only time will tell if recent trends represent a reversal in the geographic distribution of economic growth in Pennsylvania. However, one reason for the east's apparent difficulties during the current recession is surely the fact that economic growth throughout much of the region was so robust prior to this slump. Simply put, these areas had more room to fall relative to the west which realized much slower job growth throughout the 1980s.

— William D. Anderson

Q4

1991:IQ county employment (pct. and pct. pt. changes are from year-ago quarter)

	Empl.	Ann. pct. chg.	Unemp. rate (pct.)	Ann. pct. pt. chg.*
Adams	37.0	−2.4	6.7	1.7
Allegheny	615.1	−1.6	5.6	0.9
Armstrong	25.5	−2.7	11.5	2.0
Beaver	53.2	−3.1	10.8	1.8
Bedford	19.3	−3.5	13.0	2.9
Berks	159.9	−4.2	7.6	2.1
Blair	55.1	−2.3	10.1	2.2
Bradford	29.1	−4.0	7.4	1.0
Bucks	278.4	−2.7	7.0	2.5
Butler	69.8	−1.8	7.7	1.5
Cambria	58.1	−1.4	10.4	1.9
Cameron	2.5	0.0	9.5	−0.5
Carbon	23.2	−1.3	10.8	1.4
Centre	61.9	−2.2	6.5	0.8
Chester	188.1	−2.6	4.8	1.6
Clarion	15.3	−5.0	12.6	1.6
Clearfield	30.5	−1.6	12.9	1.1
Clinton	13.3	−5.7	15.1	4.2
Columbia	28.7	−2.7	10.1	1.4
Crawford	35.0	−5.1	10.4	2.1
Cumberland	103.2	−2.4	5.0	1.4
Dauphin	125.7	−2.5	5.6	0.8
Delaware	271.6	−2.7	5.2	1.3
Elk	15.6	−1.9	9.4	2.4
Erie	124.4	−0.6	7.4	0.8
Fayette	53.1	−1.7	10.8	0.9
Forest	1.7	0.0	14.6	3.1
Franklin	54.8	−4.5	7.3	2.4
Fulton	5.7	−3.4	13.3	4.7
Greene	11.7	0.0	11.9	1.5
Huntingdon	16.7	−2.3	14.2	2.2
Indiana	31.1	−3.1	11.7	1.6
Jefferson	17.8	−1.7	10.9	1.5
Juniata	8.9	0.0	13.3	0.0
Lackawanna	99.4	−2.8	8.2	1.0
Lancaster	208.7	−3.7	6.0	1.7
Lawrence	43.6	−2.7	8.0	1.3
Lebanon	59.7	−2.5	6.8	1.5
Lehigh	139.3	−1.4	6.7	1.1
Luzerne	144.5	−2.8	9.1	1.3
Lycoming	53.9	−3.4	9.5	1.5
McKean	18.8	−5.5	8.4	0.4
Mercer	47.7	−1.2	7.7	1.9
Mifflin	19.4	−0.5	11.6	1.8
Monroe	44.9	−2.8	10.4	3.3
Montgomery	363.5	−2.7	5.2	1.3
Montour	7.3	−2.7	7.2	1.3
Northampton	109.1	−1.4	7.7	1.8
Northumberland	42.8	−2.7	11.0	1.4
Perry	19.3	−2.5	9.0	2.3
Philadelphia	668.0	−2.6	7.7	1.9
Pike	11.4	−1.7	10.2	3.3
Potter	7.2	0.0	10.2	1.1
Schuylkill	64.3	−5.3	10.9	2.5
Snyder	17.1	−2.3	10.7	2.6
Somerset	29.5	−1.3	11.2	1.6
Sullivan	3.0	−3.2	8.4	1.8
Susquehanna	15.7	−5.4	11.0	1.5
Tioga	17.0	−2.9	10.2	1.7
Union	15.3	−3.2	8.5	2.8
Venango	22.8	−4.6	8.3	1.5
Warren	20.3	−2.9	7.1	0.7
Washington	86.1	−1.5	7.9	1.5
Wayne	17.6	−1.1	12.3	3.1
Westmoreland	161.5	−1.6	8.0	0.9
Wyoming	12.1	−3.2	9.6	1.2
York	170.5	−2.5	6.6	1.4

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.
*Current rate minus year-ago rate.

Around the State

Northeastern Quarter

Allentown-Bethlehem

The national recession shaped the economy's performance in the Allentown-Bethlehem metropolitan area during the first three months of this year. Weakness was widespread as no sector appears to be unscathed by the current slump. Little improvement is expected in the near-term. Even if expectations of a mid-year recovery in the national economy actually transpire, the uptick is not expected to be all that pronounced, implying subdued growth for the U.S., State, and local economies.

As was typically the case during previous recessions, the factory sector has been hit especially hard. Of the 16 manufacturing industries for which data were available, nine realized a job decline between the first quarters of 1990 and 1991, five increased payrolls, and two held job totals steady. All told, factory job totals shrunk by an additional 100 during the period. Furthermore, electricity sales to industry, a barometer of production activity, remained on a downward trend in place since the first months of 1989.

Elsewhere in the goods producing sector, construction trends continued pointing to weakness. The value of both residential and nonresidential awards were down in the first quarter from a year ago (down by 16 and 75 percent, respectively). The number of new projects authorized by permit in the Pennsylvania portion of the region were off by more than one-fourth on the residential side and by one-third for the nonresidential category. Each of the three Commonwealth counties displayed weakness in permit activity.

The situation is somewhat better in the service producing industries, but here, growth eased considerably from previous trends. Between 1983 and 1989, jobs in these industries grew at an average annual rate of 4.1 percent. Since then, growth has come in at just 2.1 percent. Nonetheless, this sector continued to maintain record-high job readings. While this sector has felt the impact of the current recession, those that argued that the downturn would be heavily concentrated in these industries were off-base.

Conditions on the employment/unemployment front provide the last piece of available evidence in support of the "sluggish" scenario being painted in this review. Between the first quarters of 1990 and 1991, employment in the metro area fell by 4,000. Coupled with a rise in the labor force of 1,000, this translated into a jump in joblessness totaling 5,000. At a seasonally adjusted 6.8 percent, first quarter's jobless rate was at its highest level since the July-September period of 1986.

Allentown-Bethlehem Area[1]

	Ave. mo. value 1 Q.'91	Average monthly index seas. adj. (1977 = 100) 1 Q.'91	4 Q.'90	1 Q.'90
Employment *(in thousands)*				
Employed, no. of residents	309.9	114	116	116
Unemployed, no. of residents	24.8	114	99	90
Rate, seasonally adjusted	6.8			
Civilian labor force, no. of residents	334.7	114	114	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	286.5	113	113	112
Srv. Prod. only, no. of jobs	200.7	146	145	143
Goods Prod. only, no. of jobs	85.8	75	75	75
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	103	104	104
Industrial electric power sales				
Metropolitan area	•••	97	101	103
Allentown	•••	86	91	95
Bethlehem	•••	104	107	107
Easton	•••	109	111	111
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	41.6	−16		
Nonresidential contracts only	26.8	−75		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre

Job growth in the five-county Scranton-Wilkes-Barre metropolitan region eased considerably in recent months in response to the recession in place nationwide. After averaging 2.5 percent per year during the 1983-1989 recovery, nonagricultural jobs actually declined at a 0.1 percent annual rate in the first quarter. Of the State's 15 metro areas, only three turned in slower job gains during the year which ended in the first quarter. During the recessions of the early 1980s and the subsequent recovery, job growth in the region was the sixth highest in the Commonwealth.

Two industries accounted for a sizable share of job gains in recent years: services and retail trade. The two of them were home to 36,000 of the 44,300 new nonfarm jobs generated between 1983 and 1990. This represents an average annual gain of more than 5,100 jobs per year. In this year's first quarter, job totals in these two industries were up just 2,600 from a year ago. Still, after seasonal adjustment, the 225,000 service producing jobs in the metro area represented another record tally.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 1 Q.'91	Average monthly index seas. adj. (1977 = 100) 1 Q.'91	4 Q.'90	1 Q.'90
Employment *(in thousands)*				
Employed, no. of residents	329.7	118	119	122
Unemployed, no. of residents	33.1	96	88	80
Rate, seasonally adjusted	8.5			
Civilian labor force, no. of residents	362.8	116	116	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	304.4	118	118	118
Srv. Prod. only, no. of jobs	225.0	139	139	138
Goods Prod. only, no. of jobs	79.4	84	84	87
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	•••	117	121	119
Lackawanna County[2]	•••	129	134	133
Luzerne County[3]	•••	108	115	108
Hazleton	•••	98	103	97
Wilkes-Barre	•••	116	124	118
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	39.3	−27		
Nonresidential contracts only	73.8	+27		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Total goods producing jobs were off by 3,100 during the first three months of the year compared to the same period in 1990 in shrinking to another record low. Construction jobs slipped by 600 in settling at 11,100. The value of nonresidential construction contract awards was up by about one-fourth during the first quarter from a year ago while residential contracts were valued one-fourth lower.

First quarter's 329,700 residents officially listed as employed represented the lowest reading for the period since 1988. The number of residents counted among the unemployed, at 33,100, was the highest in six years. At a seasonally adjusted 8.5 percent, the average unemployment rate during the three-month period was substantially higher than the State's 6.8 percent reading.

Weakness on the employment/unemployment front was apparent in each of the five counties in the region. Relative to the first quarter of 1990, employment was off anywhere from 2.7 to 3.2 percent. In Monroe County, the jobless rate was up a full 3.3 percentage points from a year ago. In the other four counties, increases ranged from 1 to 1.4 points.

Williamsport

There is no doubt that the national recession is having an impact on the Lycoming County economy. Nowhere is this more apparent than in first quarter labor force developments. At 53,900, the number of residents listed among the employed was off 3.4 percent from a year ago. This decline was a bit stronger than the State's 2.5 percent drop and represented the fifth consecutive quarter in which employment came in below year-ago readings. In settling at a seasonally adjusted 8.4 percent, first quarter's jobless rate was the highest quarterly tally in more than five years.

Job trends were stagnant across most, if not all, industry groups. Goods producing jobs were off by 400 from a year ago. Durable goods manufacturers were home to 400 fewer jobs while the nondurables industries maintained 200 fewer positions. Residential construction activity apparently remained in a slump as contract valuations were off from a year ago. Nonresidential contract values surged. However, it is best to be cautious in interpreting the jump in valuations as they were likely skewed by one-time-only developments. Building-related jobs were up by about 200 in the year just concluded in the first quarter.

Williamsport Area[1]

	Ave. mo. value 1 Q.'91	Average monthly index seas. adj. (1977 = 100) 1 Q.'91	4 Q.'90	1 Q.'90
Employment *(in thousands)*				
Employed, no. of residents	53.9	117	118	121
Unemployed, no. of residents	5.7	109	106	92
Rate, seasonally adjusted	8.4			
Civilian labor force, no. of residents	59.6	117	117	119
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.8	112	112	113
Srv. Prod. only, no. of jobs	33.2	125	124	124
Goods Prod. only, no. of jobs	17.6	95	94	97
Hrs. worked by production workers in mfg., ave. weekly	40.2	104	103	103
Industrial electric power sales	***	121	130	120
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	3.2	−13		
Nonresidential contracts only	2.5	+733		

[1] Lycoming County

Job conditions were not especially encouraging on the service producing side of the ledger. Compared to a year ago, jobs were up by 200. However, the trend since 1989 has been sideways after six years of uninterrupted growth. Between the first quarters of 1990 and 1991, the only industry showing any job growth was government, with 300 additional workers on payroll. (These trends may have been swayed by a slight refinement in industry classifications.) All private sector industries either held jobs steady or reduced employment (including services, with 100 fewer jobs this year compared to 1990).

Southwestern Quarter

Altoona

Nonfarm job trends suggest that the Blair County economy turned in a relatively fair performance during this year's first quarter, although it was obvious that the recession dampened growth considerably. At 0.6 percent, job growth from the previous year was the sixth highest among the State's 15 metro areas. This was down considerably from the 2.3 percent gain averaged over the 1983-1989 recovery. The region's service producing establishments accounted for all of the gain as 900 positions were added to payrolls. After adjustment for normal seasonal ups and downs, first quarter's service-related job reading equaled the previous three months' record. Between 1983 and 1990, service producing job growth averaged 2.9 percent. First quarter's growth was off slightly, at a 2.3 percent annual gain.

Goods producing jobs continued to track downward as they have since 1988. The 12,600 positions in these establishments were off by 500 on an annual basis. On the plus side, the area's largest factory employer, printing and publishing, held job levels steady over the course of a year while the second largest manufacturing employer, textile and apparel products, actually increased job totals by 100. Unlike the situation in much of the rest of the Commonwealth, residential construction contract awards were actually up in the first quarter from a year ago (by 27 percent). On the nonresidential side, valuations plunged by three-fourths.

At 10.1 percent, Blair County's jobless rate during the first three months of the year was up 2.2 percentage points from a year ago. In addition, it was the highest reading for the period in five years. In absolute terms, unemployment was up by 1,400 residents from the previous year. At 55,100, resident employment was off by 1,300 from a year ago. This was the first year-over-year drop since the final quarter of 1988 and only the third since 1983.

Johnstown

The Johnstown metro area economy continued to feel the effects of the nationwide slowdown during the first three months of the year. Signs of the slowdown were evident across the board. Recent conditions are perhaps best described as encompassing a gradual decline in economic growth and activity as opposed to the steep drop associated with the recessions of the early 1980s.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	55.1	108	110	111
Unemployed, no. of residents	6.2	141	128	108
Rate, seasonally adjusted	9.0			
Civilian labor force, no. of residents	61.3	110	111	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.4	107	107	106
Srv. Prod. only, no. of jobs	40.8	116	116	113
Goods Prod. only, no. of jobs	12.6	86	86	89
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	103	102	102
Industrial electric power sales	***	72	78	79
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	4.3	+27		
Nonresidential contracts only	1.5	−77		

[1]Blair County

For instance, first quarter's (two quarters into the current recession, assuming it began during the third quarter of 1990) jobless rate, at a seasonally adjusted 9.5 percent, fell well short of the 15.2 percent reading in the first quarter of 1982, approximately six months into the previous official downturn. It also fell well short of the 13.7 percent reading from the third quarter of 1980, approximately six months following the beginning of a recession in January of that year. Nonetheless, it was up nearly two full percentage points from a year ago. Also during the first quarter, the number of residents in the bi-county region listed among the employed declined by 1,200 from a year ago.

During the 1983-1989 recovery period, nonfarm job growth in the region averaged 1.8 percent on an annual basis. During the first three months of 1991, job levels were up 1.4 percent from a year ago. Despite the drop in growth, the gain was still the second highest among the State's 15 metropolitan areas. The region's service producers accounted for all of the gain in adding 1,100 positions from a year ago. However, jobs in these industries have held essentially steady over approximately the past half-year after seasonal adjustment.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	87.6	93	94	94
Unemployed, no. of residents	10.4	87	76	70
Rate, seasonally adjusted	9.5			
Civilian labor force, no. of residents	98.0	92	92	92
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	82.3	95	96	94
Srv. Prod. only, no. of jobs	62.8	116	117	114
Goods Prod. only, no. of jobs	19.5	61	62	61
Hrs. worked by production workers in mfg., *ave. weekly*	38.5	99	99	98
Industrial electric power sales	***	141	165	151
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	5.9	+14		
Nonresidential contracts only	8.0	−28		

[1]Cambria and Somerset Counties

Goods producing jobs held steady in the first quarter compared to 1990. Jobs in these industries reached a peak (following the early 1980s recessions) in September of last year after seasonal adjustment. Since then, roughly 900 jobs were lost. Construction trends were mixed in the first quarter. Job readings were up by 100 on an annual basis. Residential construction contract values were up 14 percent over the same period while nonresidential valuations were off by more than one-fourth.

Pittsburgh-Beaver Valley

First quarter economic trends in the Pittsburgh-Beaver Valley metropolitan area were heavily influenced by the national recession. Retail sales were off, construction activity was sluggish, and the job and unemployment situations deteriorated. Little improvement is expected in the months ahead. Even when the economy does show renewed signs of life, the rebound will likely be far from spectacular.

While still moving ahead, growth in the region's service producing sector has slowed considerably. Between 1983 and 1990, job gains in these industries averaged 16,700 in the Pittsburgh portion of the region and 500 in Beaver County. During this year's first quarter, growth from a year ago came in at 12,100 jobs in the former and 200 jobs in the latter. Still, in both the Pittsburgh and Beaver County portions of the region, service producing jobs came in at a record high during the first three months of the year. Retail activity through the first two months of the year was sluggish. All told, sales were off 4.9 percent from the same period in 1990 with a large decline of 15 percent on the durable goods side swamping a slight gain in the nondurable goods category.

Construction trends continued to point down in the first quarter, especially on the residential side. In the four-county Pittsburgh region, new housing units authorized by permit in the first quarter were down nearly one-third from a year ago while they were off by more than one-half in Beaver County. In addition, the value of residential construction contracts awarded was down by one-fifth in both portions of the region. While nonresidential activity was also sluggish in the Pittsburgh area, some improvement was noted in Beaver County (where valuations surged from a near-zero reading a year ago). In the goods producing sector as a whole, job trends remained flat to moderately down. Historically, construction and manufacturing have tended to be the hardest hit by economic downturns.

While not especially impressive, trends in total nonfarm jobs held up relatively well in the Pittsburgh metro area. At 1.1 percent, first quarter job growth from a year ago was the fifth strongest among the State's 15 metro areas. This came after double-digit rankings throughout the 1980s. In Beaver County, job levels in the first quarter were unchanged from a year ago.

Signs of the national recession were especially evident in employment/unemployment developments. The seasonally adjusted jobless rate was at its highest level in three years in Pittsburgh and in four years in Beaver County. The number of residents counted among the employed in the four-county Pittsburgh area was down by nearly 15,000 from a year ago, the first year-over-year decline since mid-1987. In Beaver County, employment was off by 1,700. Employment in the

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	915.9	107	108	109
Beaver County	53.2	64	64	66
Unemployed, no. of residents				
Pittsburgh[1]	64.4	88	80	75
Beaver County	6.5	90	74	74
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.8			
Beaver County	9.8			
Civilian labor force, no. of residents				
Pittsburgh[1]	980.2	106	106	107
Beaver County	59.6	65	65	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	906.9	106	106	105
Beaver County	49.7	67	67	67
Srv. Prod. only, no. of jobs				
Pittsburgh[1]	749.6	127	127	125
Beaver County	36.6	115	114	114
Goods Prod. only, no. of jobs				
Pittsburgh[1]	159.1	61	61	62
Beaver County	11.1	28	28	28
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.0	n.a.	n.a.	n.a.
Beaver County	43.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	59	63	64
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)		Pct Change From Year-Ago Ytd	
Residential contracts only				
Pittsburgh[1]	80.4		-20	
Beaver County	4.7		-22	
Nonresidential contracts only				
Pittsburgh[1]	166.2		- 8	
Beaver County	17.3		**	

[1] 1Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

County has been tracking down over much of the past decade.

Within the Pittsburgh portion of the region, joblessness is up and employment is down in each of the four counties. Increases in the jobless rate from the year-ago quarter ranged from 0.9 to 1.5 percentage points. At 10.8 percent, Fayette County was home to the highest reading while Allegheny County, at 5.6 percent, maintained the lowest. Employment declines were similar across all counties, falling about 1.5 percent from the previous year.

State College

The once-thriving Centre County economy limped through the first quarter of 1991. While not hit quite as hard as in the rest of the State, the region was heavily influenced by the negative side effects of the national recession. After increasing nonstop since the mid 1980s, resident employment in the region apparently topped out in 1990 as it has been in a holding pattern the past 15 months. (Not too much should be made of the pronounced first quarter drop in employment. A statistical fluke in January apparently skewed the data.) At 6.5 percent, first quarter's jobless rate was the highest reading for the three-month period in five years. Still, it came in nearly a full percentage point below the State's.

Goods producers in the region are struggling to hold job levels steady. In fact, at 11,000, job levels were down by a slight 100 from a year ago during the first quarter. After three years of relatively strong gains, job trends in these industries turned flat in mid-1989 and have remained so since. Despite the fact that contract valuations were up, especially on the nonresidential side, building-related jobs were off a bit from year-ago tallies during the first three months of the year.

Even the service producing industries showed that they were not immune from the recession. Job levels in the first quarter were actually down a bit from the previous quarter after seasonal adjustment, though, again, January's statistical blip distorted the results. Year-over-year gains in February and March were down considerably from recent trends. In that the goods producing industries will likely continue to struggle during the current recession, those new jobs generated in upcoming months, if there are any, are likely to come on the service producing side.

Northwestern Quarter

Erie

There is no denying that economic growth has slackened considerably in recent months in Erie County in response to the downturn nationwide. At the same time, the metro area is weathering the current storm much better than during the recessionary early 1980s and a strong case can be put forth suggesting that the region is performing at a clip slightly above the State as a whole. For instance, nonfarm jobs grew at a 2 percent annual rate in the first quarter — unchanged from growth during the recovery period, significantly stronger than during the recessions encompassing the 1980-1983 period, and the strongest gain among the State's 15 metro areas. During the 1980s, Erie County tended to rank among the lower tier of metro areas in terms of job growth.

Service producing jobs continue to set new records on a quarterly basis, though February and March resulted in slight seasonally adjusted declines from the previous month, suggesting that growth will be moderating. Still, compared to a year ago, job levels, at 80,400 in the first quarter, were up by 1,900. Retail trade and services continued to provide

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	61.9	149	153	152
Unemployed, no. of residents	4.3	149	138	132
Rate, seasonally adjusted	6.1			
Civilian labor force, no. of residents	66.2	149	152	151
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	60.1	142	144	141
Srv. Prod. only, no. of jobs	49.1	143	145	142
Goods Prod. only, no. of jobs	11.0	137	138	138
Hrs. worked by production workers in mfg., *ave. weekly*	38.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	138	144	140
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)		Pct Change From Year-Ago Ytd	
Residential contracts only	10.2		+ 17	
Nonresidential contracts only	10.6		+524	

[1] Centre County

the bulk of all new jobs as these two industries combined for 1,400 of the new positions.

The situation was also positive on the goods producing side, though, again, month-to-month changes so far this year suggest some softening in the situation is likely. Still, compared to a year ago, goods producing jobs were up by 400. This marked the 15*th* consecutive quarter in which job tallies came in ahead of the year-ago readings. Residential construction contract valuations were off by more than one-fifth from the previous year while nonresidential valuations doubled. The situation may have weakened on the factory side as electricity sales to industry eased a bit during the first quarter as did the average manufacturing workweek.

Perhaps the worst news was found in labor force developments. For the first time since mid-1987, employment readings were down during the first quarter, by 800 on an annual basis. Combined with a slight gain of 300 in the labor force, this resulted in a rise in joblessness of 1,100 residents. As a result, the region's 6.6 percent jobless rate, seasonally adjusted, was the highest reading since the final three months of 1987.

Sharon

While growth has slowed considerably in recent months, the Mercer County economy has yet to give back a considerable portion of the gains racked up over the course of the previous few years. On a seasonally adjusted basis, resident employment during the first few months of the year came in at its lowest level in six quarters. At 47,700, employment was down by 700 from a year ago. On the unemployment front, the Sharon metro area's 7.7 percent jobless rate in the first quarter was up nearly 2 percentage points from a year ago and was the highest reading for the period since 1987. Statewide, the rate was slightly lower, at 7.4 percent.

The slowdown in the goods producing sector which typically shows up during recessions, is beginning to have an impact in the region. On a seasonally adjusted basis, jobs have been trending down for the past half-year. Compared to a year ago, first quarter job tallies were off by 100. Durable goods industries reduced payrolls by 100 workers over the course of the year ending with the first quarter while nondurable goods establishments added 100 positions. Based upon trends in contract awards, construction activity was also down during the first few months of 1991.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	124.4	113	115	114
Unemployed, no. of residents	9.9	97	87	85
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	134.3	112	112	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	119.8	110	110	108
Srv. Prod. only, no. of jobs	80.4	127	126	124
Goods Prod. only, no. of jobs	39.4	87	88	87
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	105	107
Industrial electric power sales	***	103	112	112
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.5	− 21		
Nonresidential contracts only	20.0	+100		

[1] Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	47.7	101	104	103
Unemployed, no. of residents	4.0	89	71	64
Rate, seasonally adjusted	6.9			
Civilian labor force, no. of residents	51.7	100	101	100
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	43.8	98	100	97
Srv. Prod. only, no. of jobs	31.1	115	116	113
Goods Prod. only, no. of jobs	12.7	73	75	73
Hrs. worked by production workers in mfg., *ave. weekly*	42.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	109	110	108
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	2.2	−25		
Nonresidential contracts only	0.7	−91		

[1] Mercer County

Conditions were a bit more impressive on the service producing side. At 2.3 percent, annual job growth in these establishments in the first quarter was actually up a bit from the 1.7 percent average from the 1983-1990 period. However, March's seasonally adjusted total was the lowest monthly tally since August of last year, suggesting that growth may soon ease a bit. Despite the potential for declining economic growth and activity over the near-term, first quarter's 1.4 percent gain in total nonagricultural jobs was the third highest among the Commonwealth's 15 metro areas.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Job growth in the service producing sector of the Harrisburg-Lebanon-Carlisle economy showed signs of weakening in recent months. Compared to a year ago, first quarter job totals were up 1.5 percent to another record high. This was less than one-half the rate of expansion averaged over the 1983-1990 period. Although it is hard to argue that these industries are in an outright recession, they have, nonetheless, felt the impacts of the national slowdown in the economy.

During the first three months of the year, retail establishments were home to 50,300 jobs in the region, down 800 from a year ago. The job situation actually began to soften in 1990 after several years of practically nonstop growth. The services industry has been the other major source of new jobs in recent years. While job totals continued to expand in the first quarter, growth has eased. Jobs were up 3.1 percent on an annual basis during the first quarter, down from a 5.2 percent average annual gain over the 1983-1990 period.

While jobs continued to expand, albeit at a reduced rate, on the service producing side, goods producing job levels have been on the downtrend since mid-1988. The first quarter brought with it the loss of an additional 2,500 jobs from a year ago. The 61,000 jobs in these establishments represented the lowest reading for the first three months of the year since

1986. Not surprisingly, the factory sector was especially hard hit as job readings were off 2,200 from a year ago. Construction activity appeared weak during the first quarter of 1991 as job totals were off from a year ago, as were contract valuations on both the residential and nonresidential sides.

First quarter resident employment was off 2.5 percent on an annual basis, marking the third consecutive quarter in which readings came in below a year ago. This was the sharpest year-over-year decline since the same period in 1982. As a result, the seasonally adjusted jobless rate, at 5.4 percent, jumped to its highest level in nearly five years. Still, it was well below the State's 6.8 percent tally.

In sum, economic growth has slowed considerably in recent months. There are few signs of strength to be found across a wide range of economic indicators. However, it is best not to shed the situation in an overly pessimistic light. Job levels in several service-type industries remain at record highs while the unemployment rate falls well below readings from the early 1980s. The region has been bruised, but not knocked out, by the current national recession.

Lancaster

Several years of improvement on the employment/unemployment front have apparently come to an end in Lancaster County. The first quarter found resident employment off by 8,100 from a year ago. This was the third consecutive quarter in which a year-over-year decline occurred. In combination with a reduction in the labor force totaling 4,500, this translated into a rise in unemployment of 3,700 residents. The 13,400 individuals listed among the unemployed was the highest first quarter reading since 1983.

Throughout the 1980s, Lancaster County was regarded as one of the strongest regions in the Commonwealth. Indeed, over the 1983-1989 recovery period, nonfarm job growth in the region was the second strongest among the State's 15 metropolitan areas. However, in the first quarter of this year, job totals were actually down 0.9 percent from a year ago. Only one other region (Reading) turned in a weaker performance. All of the decline was accounted for by the goods producing industries where job levels declined by an additional 2,900 to 67,500 in the first quarter. Seasonally adjusted job totals declined to their lowest level since mid-1986.

The news was not all bad. The region's largest manufacturing employer, printing and publishing, expanded payrolls by 400 workers over the year. However, job totals were off in two other major industries, food products and fabricated metals. Construction was apparently hard hit in the first quarter by the recession. Both residential and nonresidential contract valuations were off from a year ago, as were job readings.

The declines in goods producing jobs were nearly offset by continued gains on the service producing side. At 122,400 in the first quarter, jobs in these establishments came in 1,800 higher than a year ago. Although growth has eased a bit over the course of the past year, jobs remained at a record high during the first three months of 1991.

Philadelphia

The economy of the Philadelphia metropolitan area continued to weaken during the first three months of 1991. At best, some industries struggled to hold their own while others, mostly those involved in goods producing activities, were home to actual declines in activity. Little relief is expected in the months ahead. While there is an occassional hint of recovery in the national economy, the mid-year recovery scenario so widely discussed in recent months was apparently overly-optimistic.

Job gains in the region's service producing industries have dwindled of late. First quarter saw a 1 percent increase from a year ago. Growth has declined in each of the past four quarters. Statewide, job growth came in at a marginally higher 1.1 percent. Between 1983 and 1990, service producing job growth averaged 2.8 percent. One area of strength is health services. Jobs in this industry grew 4.3 percent in the first quarter compared to an average rate of 3.8 percent between 1983 and 1990.

Retail activity in the metro area is slumping. Through the first two months of this year, retail sales were off 8.9 percent from the same period in 1990. Not surprisingly, given the weakness in the construction industries, the building materials sector was especially weak. As a result, retailers reduced payrolls by 900 in the first quarter compared to a year ago.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	307.9	124	126	127
Unemployed, no. of residents	19.1	116	103	90
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	327.1	124	125	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	311.8	128	128	128
Srv. Prod. only, no. of jobs	250.8	140	140	138
Goods Prod. only, no. of jobs	61.0	96	98	100
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	76	84	75
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	42.1	−23		
Nonresidential contracts only	79.4	−10		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	208.7	135	138	140
Unemployed, no. of residents	13.4	153	124	110
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	222.0	136	137	139
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	189.3	136	136	137
Srv. Prod. only, no. of jobs	122.4	161	160	158
Goods Prod. only, no. of jobs	67.5	107	108	112
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	98	99	102
Industrial electric power sales	***	137	142	144
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	34.2	−29		
Nonresidential contracts only	10.7	−72		

[1] Lancaster County

Philadelphia Area[1]

	Ave. mo. value 1 Q.'91	Average monthly index seas. adj. (1977 = 100) 1 Q.'91	4 Q.'90	1 Q.'90
Employment *(in thousands)*				
Employed, no. of residents	2,267.5	121	123	124
Unemployed, no. of residents	156.2	85	73	61
Rate, seasonally adjusted	6.1			
Civilian labor force, no. of residents	2,423.7	118	119	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,195.0	121	121	121
Srv. Prod. only, no. of jobs	1,768.7	135	135	134
Goods Prod. only, no. of jobs	426.1	85	87	89
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	101	102	102
Industrial electric power sales	***	106	113	111
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	179.9	−36		
Nonresidential contracts only	365.9	− 1		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

There were numerous indicators of construction's weakness in the first quarter. Job levels were off by 2,800 on an annual basis. The value of contracts award slipped, with a relatively large dropoff on the residential side. New residential projects authorized by permit in the Pennsylvania portion of the region fell by 14.1 percent. However, the decline was concentrated in Delaware and Montgomery Counties. Nonresidential permits were off in all five Commonwealth counties.

In the goods producing sector as a whole, seasonally adjusted job readings fell for the 10*th* consecutive quarter. Compared to a year ago, the 426,100 positions in these establishments represented a decline of 19,400. Durable goods manufacturing jobs were off by 10,600 while the number of nondurables positions fell by 6,000. Sales of electricity to industrial customers have been trending down of late, suggesting that factory production is softening. In addition, slight downward pressure on the average manufacturing workweek suggests that there is little hope for improvement in factory hiring activity.

Given this batch of mostly negative economic news, the deterioration in employment and unemployment conditions evident in the first quarter was not all that surprising. At 6.4 percent, first quarter's unadjusted jobless rate was the highest reading for the period in six years. Contributing to the increase in joblessness was a year-over-year decline in employment totaling 54,700. The 2,267,500 residents officially listed as employed was the lowest first quarter tally since 1987. The deterioration in the overall labor force situation is likely to continue. However, the situation is not expected to approach that which was in place in the early 1980s with jobless rates in the 8 to 9 percent range.

Reading

Economic activity in Berks County slowed to a crawl during the first three months of the year. This conclusion was especially apparent in the quarter's labor force developments. At a seasonally adjusted 7 percent, the jobless rate stood at its highest level since the same period in 1986. Employment fell at an annual rate of 4.2 percent during the period. Only eight other counties (of the 67 total) in the Commonwealth saw year-over-year declines in excess of this.

Conditions on the construction front were mixed. While jobs were off by a slight 100 from the first three months of 1990, the value of contract awards was unchanged for residential projects and was more than 4.5 times greater (relative to a year ago) on the nonresidential side. In the goods producing sector as a whole, jobs were down by 3,200 from a year ago. The 50,500 positions in these establishments represented the lowest reading for the period on record, with data available from 1972-present. Traditionally, these industries have tended to be the hardest hit by a recession, so further declines are likely.

Conditions were more encouraging on the service producing side. Jobs in these establishments were up by 1,100 from a year ago. This translated into a gain of 1.1 percent, well short of the 3.1 percent average advance during the 1983-1990 period. In addition, seasonally adjusted job readings fell from the previous month in both February and March. Despite the slowdown in growth, these industries continued to maintain record high job totals. Retail activity apparently softened, as it did in the rest of the State, as job levels were down by 200 from the first quarter of 1990.

The recent problems in the region are evident in nonfarm job trends. Between the first quarters of 1990 and 1991, jobs fell at a 1.4 percent annual rate. This represents the sharpest decline among the Commonwealth's 15 metropolitan areas. On a seasonally adjusted basis, nonagricultural job levels were not as low as the first quarter tally since the final three months of 1988.

York

Weakness dominated the economic landscape in Adams and York Counties during the first quarter. One is hard-pressed to find any signs of strength. At best, the worst of this recession, and hence, the region's economic difficulties, may soon be at hand. However, there are no signs of any pronounced recovery anytime in the near-future. The best that can be hoped for is some stability at a sub-par rate of economic growth and activity.

Reading Area[1]

	Ave. mo. value 1 Q.'91	Average monthly index seas. adj. (1977 = 100) 1 Q.'91	4 Q.'90	1 Q.'90
Employment *(in thousands)*				
Employed, no. of residents	159.9	119	121	124
Unemployed, no. of residents	13.2	139	117	100
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	173.1	120	121	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	151.0	116	116	118
Srv. Prod. only, no. of jobs	100.5	133	132	132
Goods Prod. only, no. of jobs	50.5	92	94	98
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	102	103	105
Industrial electric power sales	***	137	142	145
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)	Pct Change From Year-Ago Ytd		
Residential contracts only	25.8	+ 1		
Nonresidential contracts only	51.0	+355		

[1] Berks County

Service producing jobs continued on the upswing in the first quarter, though the rate of advance was considerably slower than in previous years, a trend evident throughout much of the Commonwealth. All told, service producing jobs were up by 2,200 from a year ago during the first three months of the year. The services industry, itself, accounted for 1,300 of those jobs. Retail trade accounted for an additional 700 workers.

On the goods producing side, the job situation remained worrisome. Jobs have been trending down since the beginning of 1989. In absolute terms, an additional 2,500 positions were eliminated in these establishments during the first three months of this year relative to 1990. At 65,700, job readings were just barely above those associated with the recessions of the early 1980s. Residential construction activity appeared to be down in the first quarter as contract valuations were off nearly one-half from a year ago. New residential projects authorized by permit in Adams County were off by slightly more than one-half.

At 14,800, the number of residents in the region officially listed among the unemployed in the first quarter represented the highest reading for the period since 1985. The seasonally adjusted jobless rate, at 6.1 percent in the most recent period, has been on the rise for eight consecutive quarters. Still, it remained below the Statewide average of 6.8 percent. Employment declined by an additional 5,400 residents from a year ago. The first three months of the year marked the fifth consecutive quarter during which employment totals came in below the year-ago mark.

— William D. Anderson

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'91	*1 Q.'91*	*4 Q.'90*	*1 Q.'90*
Employment *(in thousands)*				
Employed, no. of residents	207.5	136	138	139
Unemployed, no. of residents	14.8	134	118	104
Rate, seasonally adjusted	6.1			
Civilian labor force, no. of residents	222.2	136	136	137
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	181.0	128	129	128
Srv. Prod. only, no. of jobs	114.7	152	152	149
Goods Prod. only, no. of jobs	65.7	101	102	105
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	99	101	102
Industrial electric power sales	***	103	105	105
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-Mar.)		Pct Change From Year-Ago Ytd	
Residential contracts only	[illegible]		− 46	
Nonresidential contracts only	[illegible]		+233	

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[1] Adams and York Counties

Pennsylvania Business Survey

May 1991 Vol. 32, No. 5

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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U.Ed. BUS 91-68

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The Mary Jean and Frank P. Smeal
College of Business Administration
Published since 1938
Pennsylvania Business Survey

June 1991

SOME EASING IN THE RECESSION'S HOLD ON THE ECONOMY

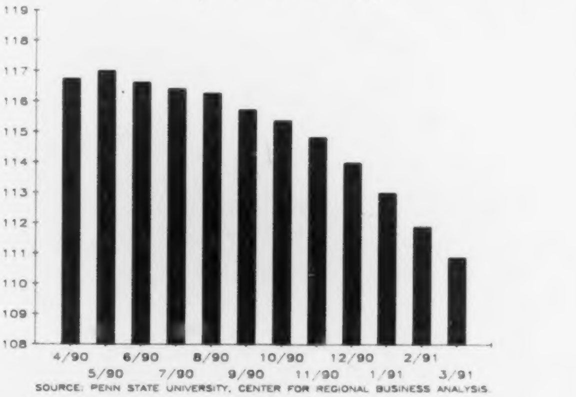
In last month's *Pennsylvania Business Survey,* some preliminary signs of easing in the rate of decline in the Commonwealth's economy were highlighted. Those signals have strengthened a bit, so some qualified optimism is indeed warranted. But it is important to keep in mind that the recession remains in place, both nationally and in Pennsylvania. A best-case scenario finds the economy holding steady in the months ahead. There are currently no signs of a pronounced recovery.

This recession was supposed to be different. It was expected to be short, shallow, and not be quite as hard on the goods producing sector as in recessions past. When all is said and done, the current slump will likely at least match the average length of post-World War II downturns — 11 months. Although not catastrophic, this recession has not been especially shallow, either. In addition, the goods producing sector, most notably construction and manufacturing, has been especially hard-hit, just as in previous downturns, although this is not to say that service-type industries have gone through unmarked.

Nationally, the current recession is estimated to be nine months old (the economy peaked around July of last year). Over that time frame, Pennsylvania's economy appears to have performed at a slight notch below the U.S. economy. The labor force situation, including employment and unemployment trends, worsened just a bit more in the Commonwealth relative to the nation as a whole (table). Nonfarm job growth in Pennsylvania, at an annual rate of 0.1 percent so far in this recession, comes in below the U.S.' 0.5 percent tally. Pennsylvania's retail sector has taken a harder hit than in the nation. While the U.S. coincidental index has declined 2.8 percent over the course of this recession, the Pennsylvania Index of Coincidental Indicators of economic activity has declined at an annual rate of 3 percent. As an aside, the PICI declined again in March, the tenth consecutive monthly drop (chart). Those with an optimistic slant to their analyses would point out that while the Commonwealth has apparently suffered slightly more during this recession than the nation, the shortfall is probably not nearly as pronounced as in previous economic downturns.

The "average" nature of this recession in Pennsylvania is also evident in comparisons with earlier slumps. **In general, the current downturn has probably not been quite as severe as the July 1981-November 1982 business slump, but it may be proving to be a bit stronger than the**

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS

PA's performance during the current recession relative to the U.S.'
(annual percent change in selected economic indicators during the first nine months of recession)

	PA	U.S.
Labor force	0.1	0.5
Resident employment	−1.1	− 0.4
No. unemployed	22.6	17.0
Unemployment rate (level)	6.2	6.2
Nonfarm jobs	0.1	0.5
Real retail sales*	−8.2	− 3.7
Coincidental index*	−3.0	− 2.8

Source: U.S. Depts. of Labor and Commerce; PA Dept. of L & I; PSU, CRBA.
*eight months of data.

PA's performance during the current recession relative to previous recessions
(annual percent change in selected economic indicators during the first nine months of recession)

	Current recession	1981/1982 recession	1973-1974 recession
Labor force	0.1	0.4	0.9
Resident employment	−1.1	−1.4	0.9
No. unemployed	22.6	21.7	0.5
Unemployment rate (level)	6.2	9.6	4.8
Nonfarm jobs	0.1	−1.1	0.8
Manufacturing output	−2.4	−5.0	−0.6
Real retail sales*	−8.2	−3.8	n.a.
Construction contract valuations	−8.7	−2.9	−10.0
Coincidental index*	−3.0	−4.4	n.a.

Source: U.S. Depts. of Labor and Commerce; PA Dept. of L & I; F.W. Dodge; PSU, CRBA.
*eight months of data.

Q5

New Pennsylvania building permit authorizations (percent change from year ago)

	Apr.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,702	0.9	10,561	– 14.8
Nonresidential	2,133	– 3.0	5,002	– 8.9

Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania existing home sales (seas. adj. ann. rate; thousands)

		Pct. change	
	Sales	Qt. ago	Yr. ago
1991:IQ	169.4	– 33.6	– 18.4
1990:IVQ	255.1	5.9	11.0

Source: National Association of Realtors.
Most recent data are preliminary.

November 1973-March 1975 recession (table).

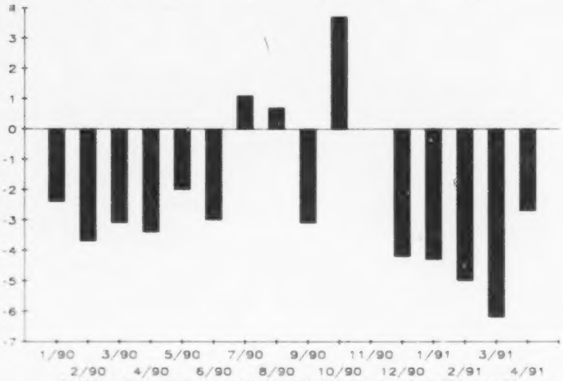
As far as current trends go, **April brought with it some improvement on the employment/unemployment front in Pennsylvania. On a seasonally adjusted basis, employment rose to a 1991 high during the month while the jobless rate declined for the first time this year. Most importantly, at least as far as future expectations go, initial claims for unemployment insurance, a leading indicator of jobless trends, fell.** Claims have been tracking erratically upward since 1989. These developments are certainly consistent with some easing in the recession's hold on the Pennsylvania economy.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1991		1990	1991		1990	1991		1990
	Mar.	*Apr.*	*Apr.*	*Mar.*	*Apr.*	*Apr.*	*Mar.*	*Apr.*	*Apr.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,123*	5,141	5,167	5,162*	5,147	5,172	113.1	112.7	113.3
Service Producing									
No. of wage and salary jobs (thous.)	3,918*	3,929	3,901	3,932*	3,923	3,895	131.4*	131.1	130.2
Transportation and public utilities	268	268	265	269	268	264	102.7*	102.4	101.1
Wholesale trade	274	273	277	275	273	277	123.9	123.2	124.8
Retail trade	892*	893	891	909*	903	900	126.7*	125.9	125.5
Finance, insurance & real estate	299*	300	298	301	301	300	138.3*	138.5	137.9
Service & miscellaneous	1,468*	1,477	1,444	1,475*	1,474	1,440	171.1*	170.9	167.0
Federal government	136	136	147	136*	134	146	105.8*	104.6	113.7
State & local government	583*	582	580	571	569	567	97.9*	97.6	97.3
Goods Producing									
No. of wage and salary jobs (thous.)	1,204*	1,212	1,265	1,230	1,224	1,277	78.2*	77.8	81.1
Construction	204	213	220	225	221	227	122.4	119.9	123.6
Mining	26	26	28	26	26	28	55.0*	55.0	57.5
Manufacturing	975*	972	1,017	980*	977	1,021	73.0*	72.8	76.1
Durable goods	545*	544	577	548*	545	578	67.7*	67.3	71.4
Nondurable goods	430	429	440	432	432	443	81.1*	81.1	83.2
Ave. wkly. hrs. worked by prod. workers	40.1*	39.9	39.8	40.3*	40.2	40.1	102.1*	101.8	101.5
Total wkly. person-hours worked (mils.)	26.6*	26.5	27.9	26.9*	26.8	28.2	70.2*	69.8	73.4
Total wkly. payroll (mil. dols.)	300.4*	299.5	303.3	303.8*	303.4	307.2	135.2*	135.0	136.7
Average hourly earnings (dollars)	11.28	11.31	10.89	11.30	11.31	10.89	193.2*	193.3	186.1
Average weekly earnings (dollars)	452.33	451.27	433.42	454.60	455.83	437.89	196.5*	197.0	189.3
Steel production (thous. tons)	726	779	1,027	n.a.	n.a.	n.a.	30.9	32.2	42.3
Industrial electric power sales (mil. kwh)	3,582	3,648	3,713	3,561	3,734	3,775	96.4	101.1	102.2
Mining									
Anthracite coal (thous. net tons)	220	221	246	228	238	265	46.8	48.7	54.3
Bituminous coal (thous. net tons)	5,486	5,641	5,545	4,782	5,706	5,513	67.8	80.9	78.2
Construction contracts awarded (mil. dols.)									
Total	688.9	887.6	895.5*	643.1	834.7	878.6*	199.9	259.4	273.1*
Residential building	248.1	315.9	328.7*	225.2	270.2	290.7*	160.0	192.0	206.6*
Nonresidential building	312.6	314.5	340.3*	322.6	339.7	391.4*	297.4	313.1	360.8*
Nonbuilding (utilities and public works)	128.2	257.2	226.5*	95.3	224.8	196.5*	131.5	310.2	271.2*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,359	5,507	5,563	5,416	5,539	5,598	112.7	115.3	116.5
Unemployed									
No. of persons (thous.)	438	404	316	430	423	336	107.2	105.6	83.9
Rate (percentage of labor force)	7.6	6.8	5.4						
Rate, seasonally adjusted				7.4	7.1	5.6			
Civilian labor force, no. of persons (thous.)	5,797	5,911	5,878	5,846	5,963	5,934	112.3	114.5	114.0
Initial claims for unemployment benefits	109,651	115,010	88,941	128,804	118,977	96,358	90.0	83.1	67.3

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1991		1990	*Month*	*Year*
	Mar.	*Apr.*	*Apr.*	*Ago*	*Ago*
U.S. city average	135.0	135.2	128.9	0.1	4.9
Philadelphia	141.0	140.8	134.3	– 0.1	4.8
Pittsburgh	n.a.	130.3	124.9	n.a.	4.3

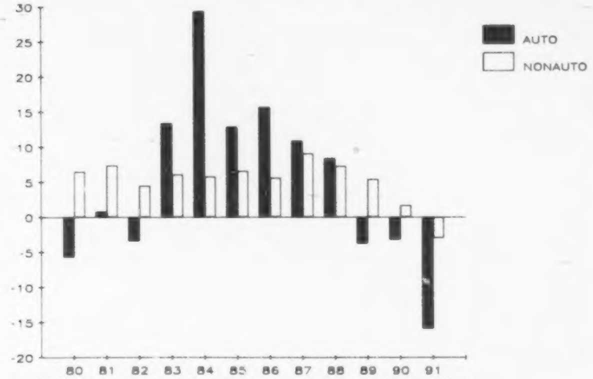
[1] Total includes workers on strike.   * = figure revised   & n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

GROWTH IN PA MANUFACTURING OUTPUT
(annual percent change in the PMAI)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS

PA AUTO AND NONAUTO RETAIL SALES GROWTH
(annual percent change)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

The news is not quite as impressive on the nonfarm jobs front. While jobs did rise from 5.12 million in March to 5.14 million in April, the gain fell well short of that expected in light of past trends, resulting in the third consecutive seasonally adjusted month-to-month decline in nonagricultural jobs and the fourth drop in the past five months. Seasonally adjusted readings of service producing jobs have declined slightly in each of the past three months with retail trade accounting for much of the downtrend.

On a seasonally adjusted basis, construction jobs stand at their lowest reading since the final months of 1987. Again, though, there is some positive news in the most recent batch of construction-related statistics. **For just the second time since 1989, new residential housing units authorized by permit in April rose from a year ago,** although the month's slight 0.9 percent gain did little to offset weakness in previous months as year-to-date trends point to a 15 percent decline in permit activity. **Good news on the construction front is also found in the valuation of contract awards which were up in April in all three categories: residential, nonresidential, and nonbuilding projects.** Elsewhere in the goods producing sector, **April's drop in manufacturing output from the year-ago reading, as measured by the Pennsylvania Manufacturing Activity Index, was the smallest so far in 1991** (chart). Still, factory jobs remain on a downtrend.

Real estate activity in this year's first quarter was apparently unimpressive as sales of existing homes were off one-third from the previous three months and 18 percent from a year ago. Relative to trends in previous months, both declines were quite pronounced.

March readings of Pennsylvania retail activity remained soft. Weakness on the durable goods side resulted in a 5.7 percent retail sales decline in the first quarter relative to a year ago. While auto-related sales are off considerably this year, nonauto sales are also slumping. Indeed, growth in nonauto retail sales eased every year during the 1988-1990 period (chart). While auto sales are down more than 15 percent this year, sales on the nonauto side are down 3 percent. If such a trend continues, 1991 will bring with it the first such decline on record, stretching back to 1979. Registrations for new motor vehicles in Pennsylvania also continue to track down.

Clearly, recent readings of Pennsylvania economic growth and activity are sending mixed signals. Taken as a whole, trends suggest that the economy continues to track down. However, there are some exceptions to this trend (in the form of April's improvement in labor force developments, apparent improvement in construction activity, and an easing in the rate of decline in other economic measures), suggesting that the economy is in the process of firming. Some mildly encouraging developments in the national economy in recent weeks provide further evidence in support of such a scenario actually unfolding. Most importantly, those individual indicators which typically move in advance of the economy as a whole are starting to show some life. In fact, the Pennsylvania Index of Leading Indicators of economic activity has inched forward in recent months (chart), perhaps the

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	March	Pct. chg.	Year-to-date	Pct. chg.
Total	6,655	– 3.0	17,886	– 5.7
Durables	2,106	– 13.6	5,515	– 18.3
Bldg. mat.	204	– 13.9	518	– 20.7
Auto dlrs.	1,309	– 10.3	3,329	– 15.9
Furniture	266	– 21.5	745	– 23.6
Other	327	– 18.5	923	– 20.9
Nondurables	4,549	2.8	12,371	1.3
Gen. mdse.	701	0.1	1,665	– 2.1
Food/grocery	1,550	10.3	4,258	6.2
Gas	409	1.5	1,192	2.0
Apparel	382	14.0	906	3.2
Eat/drink	693	– 15.0	1,900	– 14.6
Drugs	291	9.0	849	8.2
Other	523	4.2	1,601	10.3

Seas. adj. total:	March	6,731
	February	6,586

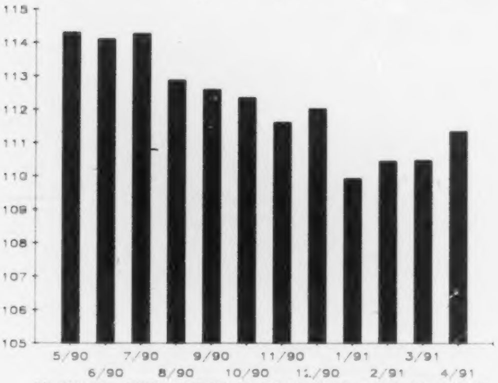
Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
March	44,399	– 9.7
1991 YTD	121,737	– 18.6
12-month total	584,617	– 11.6

Source: R.L. Polk & Co.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

most encouraging sign that the worst of this recession is, or will soon be, behind us.

— *William D. Anderson*

Personal Income Report

A quick glance at even a small sample of the analyses contained in the *PBS* in recent years helps to identify several major trends which have helped to determine the course of economic growth and activity in the Commonwealth. Those trends have tended to revolve around such issues as the State's growth vs. the U.S.'; the geographic distribution of economic growth and activity within Pennsylvania; and the changes in the basic structure of the economy, both Statewide and on a regional basis. Both short- and long-term Pennsylvania personal income trends help shed considerable light on these developments. (Personal income represents the total of all income received by individuals and includes: wages and salaries; interest, dividend, and rent income; and transfer payments.)

In 1990, per capita, or average, personal income totaled $18,672 in the State. This represented a gain of 7.4 percent over 1989. Nationally, per capita income came in slightly higher, at $18,685, a gain of 6.2 percent over 1989. The mideast region as a whole which, in addition to Pennsylvania, includes Delaware, the District of Columbia, Maryland, New Jersey, and New York, saw per capita readings advance at a slightly slower 5.9 percent pace. The State's per capita income growth relative to the nation's has been quite impressive since the mid 1980s after falling short of national norms during the recessionary period during the early 1980s (chart).

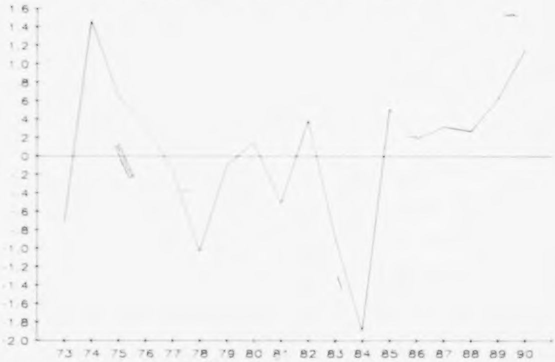
That, however, is only half the story. Much of the Commonwealth's improving performance with respect to per capita personal income in recent years was due to sluggish population growth (per capita readings are generated by simply dividing total income by population). During 1990, personal income came in at over $154.3 billion in Pennsylvania for a 5.5 percent annual gain. This fell somewhat short of the nation's 6 percent advance. This is not a recent development. Income growth in Pennsylvania failed to match national norms over the course of the 1983-1989 recovery period and was much more sluggish than the U.S. average during the 1980-1983 recessionary period (chart). Not surprisingly, growth was down in 1990 from previous years as economic sluggishness and recession settled in the Commonwealth. Between 1980 and 1990, only 17 states (plus the District of Columbia) realized slower growth in personal income than did Pennsylvania (chart).

1990 per capita personal income

	Income (dollars)	Pct. chg. from 1989
Pennsylvania	18,672	7.4
United States	18,685	6.2
New England	22,146	2.5
Mideast	21,595	5.9
Great Lakes	18,359	6.2
Plains	17,663	8.0
Southeast	16,470	6.9
Southwest	16,377	7.4
Rocky Mountain	16,622	8.0
Far West	20,241	5.1

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis, Reg. Econ. Inf. System, April 1991.

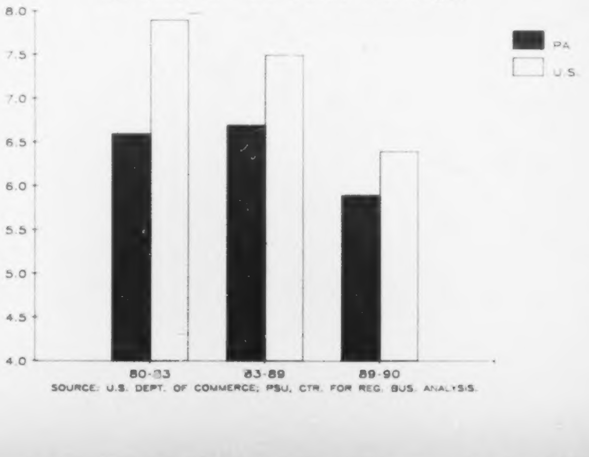
PA AND U.S. PER CAPITA PERSONAL INCOME GROWTH DIFFERENTIALS
(pct. pts.; PA minus U.S.)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

Personal income data are available through 1989 for the State's counties and metro areas. Within the Commonwealth's 15 metro regions, State College, Lancaster, and Reading realized the strongest gains from 1988 in total income. The three weakest were Beaver County, Williamsport, and Pittsburgh. Income growth in metro counties in

PA AND U.S. PERSONAL INCOME GROWTH
(average annual percent change)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

1990 personal income by major source: Pennsylvania and the United States (millions of dollars)

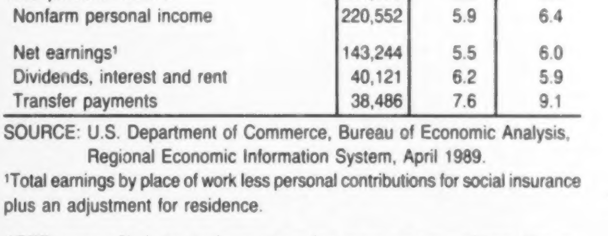
	Pennsylvania		U.S.
	1990	Pct. chg. from 1989	Pct. chg. from 1989
Earnings by place of work	154,337	5.5	6.0
By type			
Wage and salary disbursements	123,611	5.4	5.7
Other labor income	12,804	6.0	6.7
Proprietors income	17,923	5.8	7.1
By industry			
Farm	1,298	21.5	9.8
Nonfarm	153,039	5.4	5.9
Private	133,054	4.9	5.6
Ag. serv., for., fish., and other	654	6.2	4.3
Mining	1,514	9.3	8.9
Construction	9,225	- 3.5	- 0.1
Manufacturing	33,964	1.4	2.4
Nondurable goods	13,583	5.1	4.2
Durable goods	20,382	- 1.0	1.2
Transportation and public utilities	10,245	6.7	6.7
Wholesale trade	9,473	2.8	3.1
Retail trade	14,379	3.8	3.6
Finance, insurance, and real estate	9,692	7.3	6.7
Services	43,908	9.7	10.2
Government	19,985	8.4	7.6
Federal, civilian	4,631	4.4	5.8
Federal, military	751	9.2	2.6
State and local	14,603	9.7	8.7
Total personal income	221,850	5.9	6.4
Nonfarm personal income	220,552	5.9	6.4
Net earnings[1]	143,244	5.5	6.0
Dividends, interest and rent	40,121	6.2	5.9
Transfer payments	38,486	7.6	9.1

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1989.

[1] Total earnings by place of work less personal contributions for social insurance plus an adjustment for residence.

1989 was slightly below that for non-metropolitan Pennsylvania (7.55 vs. 7.61 percent). This represented a reversal from the previous five years when growth averaged 6.6 percent in metropolitan portions of the Commonwealth and 5.9 percent in non-metro regions. Not surprisingly, of the 12 counties which maintained per capita income readings above the Statewide average in 1989, only one (Montour) was not part of an officially-designated metro area. (One might think that there should be a more even distribution between above- and below-average counties in terms of per capita personal income. However, because, at most, several counties such

1980-1990 PERSONAL INCOME GROWTH
(percent)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

1989 total and per capita personal income: Pennsylvania metropolitan areas and counties

	Total personal income (millions of dollars)		Per capita personal income (dollars)	
	1989	Pct. chg. from 1988	1989	Pct. of PA ave. 1989
MSAs				
A'town-Beth MSA*	12,537	7.6	18,294	105.2
Carbon	812	6.8	14,284	82.2
Lehigh	5,488	7.9	18,822	108.3
Northampton	4,332	8.2	17,500	100.6
Altoona MSA (Blair)	1,810	7.2	13,685	78.7
Beaver MSA (Beaver)	2,641	5.9	14,046	80.8
Erie MSA (Erie)	4,235	7.6	15,332	88.2
H'burg-Leb-Carl MSA	10,040	8.3	16,830	96.8
Cumberland	3,532	8.4	17,873	102.8
Dauphin	4,152	7.9	17,158	98.7
Lebanon	1,774	8.4	15,405	88.6
Perry	582	9.6	13,931	80.1
Johnstown MSA	3,300	7.5	13,276	76.4
Cambria	2,246	7.3	13,337	76.7
Somerset	1,053	7.8	13,146	75.6
Lanc MSA (Lancaster)	7,467	8.7	17,645	101.5
Philadelphia MSA*	97,903	7.4	19,750	113.6
Bucks	11,368	7.9	20,534	118.1
Chester	8,489	9.2	22,491	129.4
Delaware	12,246	7.7	21,991	126.5
Montgomery	18,067	7.8	25,989	149.5
Philadelphia	25,474	6.4	15,479	89.0
Pittsburgh MSA	36,912	7.0	17,763	102.2
Allegheny	25,853	7.2	19,249	110.7
Fayette	1,948	6.7	12,930	74.4
Washington	3,203	6.7	15,436	88.8
Westmoreland	5,909	6.3	15,681	90.2
Reading MSA (Berks)	6,339	8.4	19,068	109.7
Scr-Wilkes-Barre MSA	11,500	7.7	15,519	89.3
Columbia	866	7.7	14,230	81.8
Lackawanna	3,549	7.6	16,003	92.0
Luzerne	5,104	7.4	15,423	88.7
Monroe	1,568	9.3	15,874	91.3
Wyoming	412	6.7	14,388	82.8
Sharon MSA (Mercer)	1,744	8.1	14,322	82.4
St Coll MSA (Centre)	1,781	9.7	15,345	88.3
W'port MSA (Lycoming)	1,795	6.9	15,106	86.9
York MSA	7,556	7.4	18,166	104.5
Adams	1,235	7.7	16,326	93.9
York	6,321	7.3	18,575	106.8
Non-MSA counties				
Armstrong	1,146	7.3	14,750	84.8
Bedford	583	7.2	12,116	69.7
Bradford	892	9.3	13,789	79.3
Butler	2,410	7.9	15,619	89.8
Cameron	86	6.2	13,547	77.9
Clarion	559	8.1	13,485	77.6
Clearfield	1,079	6.4	13,275	76.4
Clinton	474	5.8	12,465	71.7
Crawford	1,188	8.4	13,935	80.1
Elk	560	6.5	15,353	88.3
Forest	60	7.1	12,671	72.9
Franklin	1,848	8.5	15,255	87.7
Fulton	190	11.1	13,066	75.1
Greene	478	7.9	12,166	70.0
Huntingdon	513	8.0	11,872	68.3
Indiana	1,181	5.9	12,863	74.0
Jefferson	653	6.7	13,747	79.1
Juniata	291	7.0	14,281	82.1
Lawrence	1,373	7.2	13,716	78.9
McKean	652	6.4	14,323	82.4
Mifflin	600	7.9	12,810	73.7
Montour	304	8.2	18,460	106.2
Northumberland	1,347	7.1	13,759	79.1
Pike	489	10.1	16,903	97.2
Potter	220	7.3	12,270	70.6
Schuylkill	2,315	7.0	15,115	86.9
Snyder	609	8.4	16,626	95.6
Sullivan	82	6.5	12,693	73.0
Susquehanna	540	7.8	13,061	75.1
Tioga	506	7.9	12,559	72.2
Union	528	9.5	15,053	86.6
Venango	928	7.3	15,359	88.3
Warren	708	8.4	15,637	89.9
Wayne	609	8.8	14,765	84.9
Pennsylvania	209,393	7.6	17,387	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1990.

* Includes New Jersey counties contained in the MSA.

as Allegheny and those in the suburban fringe of Philadelphia tend to account for such large shares of total personal income and population in Pennsylvania, the distribution is "skewed" in the direction of these several counties.)

Much has been made in recent years of the east/west split in economic growth in Pennsylvania. Throughout the 1980s, the eastern half of the Commonwealth, especially the southeast, tended to outperform those counties to the west, regardless of the economic measure used. However, recent trends suggest a reversal in this long-term trend (see the May issue of the *Survey* for a more detailed discussion). Western Pennsylvania appears to be holding up relatively well during this current recession. One reason for this may be that goods producing industries, which tend to be hardest hit during recessions, are playing a larger and larger role in the economy of southeastern Pennsylvania, at least relative to the southwest. More specifically, while the share of overall economic activity accounted for by goods producing industries has been on the decline throughout the State, this sector is still more important in some regions and counties, especially in the southeast, than in others.

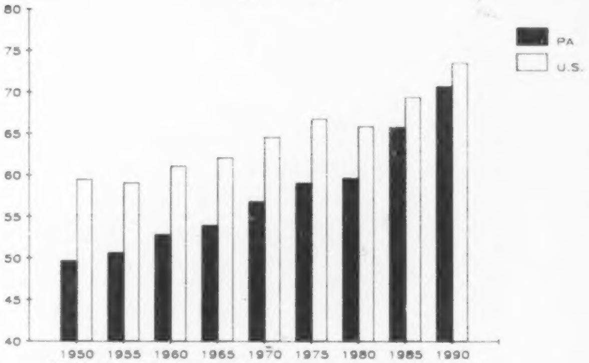
To illustrate, the share of earnings accounted for by the goods producing sector in the Pittsburgh metro area was 2.4 percent above the Statewide average in 1979 (table). In 1989, the sector's share was 15.6 percent below the Pennsylvania norm. In Lancaster, on the other hand, the share rose from 25.9 percent above average to 47.6 percent above average. Each of the five metro areas in the southeast saw their "relative shares" rise during the decade while three of the five southwestern regions witnessed a decline. (This idea of a "relative share" is identical to that for a "location quotient," an analytical tool often used by regional economists.) In sum, those that talk about the "manufacturing" based economy of southwestern Pennsylvania have not taken into account recent trends which have apparently altered the economy's structural characteristics. (As an aside, the argument presented above does not hold for the Erie and Sharon metropolitan areas. Despite declines in the share of earnings accounted for by the goods producing industries, the share was still approximately one-third higher than the State's average, hence, the relative shares in the neighborhood of 130+ in 1989. Still the economy in northwestern Pennsylvania has held up quite nicely during the course of this recession. Perhaps the structure of the goods producing sector, itself, found in these two regions helps account for the rather impressive economic showing of late.)

Goods producing's share of earnings by metro area

	Relative share (expressed as a percent of PA)		1979-1989 percent change in relative share
	1979	1989	
Southwest			
Altoona	76.3	88.6	16.1
Beaver	167.6	109.8	−34.5
Johnstown	120.2	103.3	−14.1
Pittsburgh	102.4	84.4	−17.6
State College	66.8	76.2	14.1
Northwest			
Erie	125.9	133.9	6.4
Sharon	124.1	130.0	4.8
Northeast			
Allentown-Bethlehem	130.2	128.7	− 1.2
Scranton-Wilkes-Barre	96.8	102.3	5.7
Williamsport	114.9	131.9	14.8
Southeast			
Harrisburg-Lebanon-Carlisle	75.6	82.4	9.0
Lancaster	125.9	147.6	17.2
Philadelphia	80.2	85.0	6.0
Reading	119.3	136.5	14.4
York	127.8	147.9	15.7

Source: U.S. Dept. of Commerce; PSU, Ctr. for Reg. Bus. Analysis.

SERVICE PRODUCING'S SHARE OF EARNINGS:
PA AND THE U.S.
(percent)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

While some regions obviously remain more heavily based in the goods producing industries than others, the trend Statewide is towards an economy more heavily concentrated in service producing activities. For instance, service producing industries accounted for slightly less than one-half of all earnings in 1950 in Pennsylvania (chart). By 1990, that share had risen to over 70 percent. Furthermore, the gap between the State and the U.S. is narrowing. Whereas, 40 years ago, service producing's earnings share was 10 percentage points less than the nation's, it stood just 3 points below the national average in 1990.

In sum, recent personal income trends are consistent with the scenario which has been illustrated in the *Pennsylvania Business Survey* over the course of the past several years. The Commonwealth's economy did grow from the early 1980s to the onset of the current recession, but its relative showing was somewhat suspect. Economic growth and activity has not been evenly distributed across the Commonwealth. Finally, the Pennsylvania economy is becoming more and more service-oriented in nature, though the potential role played by the factory sector in shaping the economy should not be under-estimated.

— William D. Anderson

Building Permits Report

1990 brought with it additional declines in building activity throughout much of the Commonwealth, though there were a few bright spots. New projects authorized by permit continued to decline on both the residential and nonresidential sides as the economic recession delivered a pretty hefty blow to the construction industry in the State. This recession unfolded in a manner very similar to that in previous downturns as the goods producing sector, which is dominated by construction and manufacturing, was hit the hardest, both nationally and in Pennsylvania.

New housing units authorized by permit were down 18.2 percent in 1990 as they totaled 37,204. Declines were widespread as both single-and multi-family permitted projects were off from year-ago tallies. Single-family permits were off 17.6 percent while multi-family authorizations declined 21.2 percent. 1990 marked the third consecutive year of decline in residential permit activity. Over that period, the decline has gradually worsened. For the second year in a row, new authorizations were down a bit more in Pennsylvania than in the U.S., which realized a 17 percent decline in 1990 (chart). Over the course of the 1984-1988 period, the Commonwealth tended to outperform the nation on the housing front, at least according to these data. Declines in housing activity in both 1989 and 1990 were in line with those from the previous recessionary period in the early 1980s in Pennsylvania.

Statewide, new residential projects authorized by permit were valued at $2.9 billion, a 15.4 percent decline from 1989. While average permit values are not necessarily representative of market prices, growth rates in average valuations *may* be reflective of price trends in the market. Indeed, the increase in the average permit value for single-family homes eased in each of the past three years, further evidence of the sluggish nature of building activity during that period (chart). Still, 1990's gain slightly exceeded that for the U.S. In fact, except for 1989, the increase in the average single-family permit value in Pennsylvania has exceeded the national gain every year since 1985.

Weakness in residential building activity was scattered across the Commonwealth, especially in those counties included in officially-designated metropolitan areas, and was not confined to one specific region. Single-family authorizations were down from 1989 readings in ten of the State's 15 metro areas. All told, 22 of the 33 counties included in metropolitan Pennsylvania turned in declines. Especially large gains were turned in by the Sharon and Erie metro areas in the northwest and by Beaver County (chart). Reading,

New authorized construction in permit issuing places in PA (res. authorizations in units; nonres. authorizations in bldgs.; value in thousands of dollars)

	Authorizations		Value	
	1990	Pct. chg. from 1989	1990	Pct. chg. from 1989
Residential	37,204	–18.2	2,895,675	–15.4
Single-family	31,037	–17.6	2,640,272	–14.8
2 units	574	– 1.4	25,026	0.2
3-4 units	722	–20.7	28,807	–38.5
5+ units	4,871	–23.1	201,570	–21.0
Nonresidential	20,079	–10.3	2,203,903	3.4
Amusement	207	3.0	46,522	25.3
Religious	105	–16.0	43,463	–11.2
Industrial	650	–25.2	429,060	8.2
Parking garages	35	– 5.4	42,524	16.9
Service stations	221	–17.5	22,367	–29.2
Hospitals	105	19.3	145,398	43.7
Offices	605	–23.2	614,257	5.3
Public works	182	2.2	137,163	–35.4
Schools	102	– 3.8	63,800	1.7
Stores	1,170	–19.4	510,467	14.0
Other buildings	11,590	0.0	105,378	–11.1
Non-building	5,107	–23.6	43,504	–20.7

Source: U.S. Dept. of Commerce, Bur. of the Census.

New authorized nonresidential construction in permit issuing places by metropolitan statistical area and county (authorizations in no. of bldgs.; value in dollars)

	Authorizations		Value	
	1990	Pct. chg. from 1989	1990	Pct. chg. from 1989
MSAs				
A'town-Beth MSA	1,730	– 6.9	133,367,675	18.6
Carbon	148	32.1	34,606,789	681.2
Lehigh	737	–10.4	48,651,178	– 15.6
Northampton	845	– 8.5	50,109,708	– 0.7
Altoona MSA (Blair)	237	37.0	10,758,254	– 36.2
Beaver MSA (Beaver)	315	1.9	67,154,132	605.3
Erie MSA (Erie)	540	0.7	31,518,380	39.8
H'burg-Leb-Carl MSA	1,239	–17.5	202,469,745	– 9.7
Cumberland	533	7.0	74,084,975	66.0
Dauphin	502	–23.7	115,824,595	– 15.3
Lebanon	76	–65.0	11,033,640	– 73.0
Perry	128	– 0.8	1,526,535	– 24.1
Johnstown MSA	368	3.1	111,317,489	– 43.4
Cambria	187	0.5	82,772,089	– 54.9
Somerset	181	5.8	28,545,400	116.7
Lanc MSA (Lancaster)	1,238	–14.4	141,062,709	24.7
Philadelphia MSA	4,400	–11.1	681,150,545	7.2
Bucks	1,485	– 4.7	73,726,776	– 34.3
Chester	1,097	– 8.5	88,547,679	– 30.4
Delaware	406	–27.2	40,692,776	– 65.9
Montgomery	1,264	–14.2	424,352,023	122.4
Philadelphia	148	– 8.1	53,831,291	– 37.4
Pittsburgh MSA	2,130	– 8.7	290,292,106	14.6
Allegheny	1,070	– 8.4	136,744,208	– 18.9
Fayette	210	–12.1	30,476,679	195.5
Washington	387	– 5.6	16,955,840	– 23.6
Westmoreland	463	–10.3	106,115,379	102.9
Reading MSA (Berks)	458	–36.1	69,892,420	33.1
Scr-Wilkes-Barre MSA	1,162	– 6.0	111,042,202	– 3.4
Columbia	119	8.2	5,952,472	31.6
Lackawanna	217	–20.5	24,849,883	– 0.9
Luzerne	296	–34.9	51,638,686	– 18.8
Monroe	515	40.3	27,647,097	32.6
Wyoming	15	–51.6	954,064	6.6
Sharon MSA (Mercer)	306	4.8	18,904,054	15.1
St Coll MSA (Centre)	257	– 5.5	26,842,013	– 27.7
W'port MSA (Lycoming)	300	– 9.1	11,041,965	– 46.7
York MSA	1,594	–10.2	72,803,067	– 20.8
Adams	245	–10.9	11,200,971	– 14.5
York	1,349	–10.1	61,602,096	– 21.8
Non-MSA counties				
Armstrong	56	–44.0	949,315	– 65.5
Bedford	121	–10.4	2,656,223	– 26.8
Bradford	161	–38.1	18,929,437	155.3
Butler	351	– 1.4	21,427,397	– 44.8
Cameron	18	– 5.3	986,383	38.5
Clarion	40	–42.0	2,445,691	157.1
Clearfield	34	–38.2	1,238,865	– 68.1
Clinton	71	1.4	1,937,358	– 9.0
Crawford	380	– 6.9	17,224,354	26.3
Elk	135	–16.7	1,657,511	– 72.5
Forest	3	–50.0	650,075	755.4
Franklin	236	8.8	25,859,020	40.8
Fulton	82	28.1	1,080,670	– 37.6
Greene	12	71.4	461,630	1417.8
Huntingdon	94	3.3	2,490,235	– 56.1
Indiana	56	16.7	3,557,539	– 28.7
Jefferson	108	– 2.7	7,150,490	35.1
Juniata	48	–22.6	1,003,894	– 52.9
Lawrence	120	– 7.0	6,049,692	– 49.1
McKean	81	–23.6	13,305,434	221.3
Mifflin	123	13.9	4,540,813	50.1
Montour	19	46.2	10,382,700	682.3
Northumberland	141	–14.0	9,756,751	– 52.4
Pike	150	–36.7	2,170,547	– 71.9
Potter	69	– 1.4	4,100,447	644.3
Schuylkill	179	20.9	13,797,122	26.7
Snyder	127	– 4.5	2,414,824	– 39.5
Sullivan	33	–17.5	812,774	25.0
Susquehanna	78	–23.5	2,127,249	20.1
Tioga	238	– 6.7	3,622,028	– 13.9
Union	96	4.3	10,352,583	123.7
Venango	34	–46.9	6,144,681	– 13.9
Warren	144	–14.8	11,655,849	228.3
Wayne	193	–17.9	13,728,294	23.0

Source: U.S. Dept. of Commerce, Bur. of the Census.

New authorized residential construction in permit issuing places by metropolitan statistical area and county (authorizations in units; value in dollars)

	Total				Single-family			
	Authorizations		Value		Authorizations		Value	
	1990	Pct. chg. from 1989	1990	Pct. chg. from 1989	1990	Pct. chg. from 1989	1990	Pct. chg. from 1989
MSAs								
A'town-Beth MSA	1,924	-20.8	162,923,239	-20.9	1,658	-17.9	153,560,901	-19.7
Carbon	167	-34.8	13,809,840	-30.6	167	-28.6	13,809,840	-29.1
Lehigh	782	-31.5	72,055,980	-26.4	706	-26.1	70,737,980	-22.5
Northampton	975	-5.4	77,057,419	-12.7	785	-5.5	69,013,081	-14.3
Altoona MSA (Blair)	337	-1.7	20,937,725	6.5	286	4.4	18,729,725	3.9
Beaver MSA (Beaver)	470	9.0	41,148,503	27.4	449	22.7	39,993,503	34.6
Erie MSA (Erie)	678	-27.2	44,215,106	-12.3	593	8.6	41,546,426	19.8
H'burg-Leb-Carl MSA	2,988	-8.3	207,242,165	-6.9	2,454	-11.5	189,590,371	-6.5
Cumberland	1,288	-5.4	93,611,597	-0.7	1,100	4.9	88,384,690	8.1
Dauphin	1,097	-0.9	77,217,525	-7.8	824	-23.7	67,908,351	-18.5
Lebanon	403	6.9	25,843,643	20.3	354	42.2	23,399,930	46.4
Perry	200	-51.3	10,569,400	-54.1	176	-55.4	9,897,400	-54.7
Johnstown MSA	435	-6.7	26,386,009	-1.9	367	-10.9	23,737,562	-3.1
Cambria	253	24.6	15,398,802	12.0	209	15.5	13,684,802	8.6
Somerset	182	-30.8	10,987,207	-16.4	158	-31.6	10,052,760	-15.5
Lanc MSA (Lancaster)	2,692	-13.9	192,580,099	-19.5	1,958	-17.9	161,319,094	-18.6
Philadelphia MSA	7,999	-30.0	703,044,091	-26.4	6,495	-28.6	627,560,260	-26.8
Bucks	2,225	-26.2	186,610,885	-18.9	1,897	-20.4	168,528,960	-19.4
Chester	1,819	-42.6	202,217,183	-37.1	1,674	-34.8	195,618,793	-33.8
Delaware	641	-41.8	61,276,029	-33.0	523	-34.1	51,420,939	-29.4
Montgomery	2,567	-27.6	206,735,151	-22.3	2,222	-24.5	194,907,541	-19.6
Philadelphia	747	24.5	46,204,843	0.0	179	-55.7	17,084,027	-54.2
Pittsburgh MSA	4,417	-5.3	416,957,971	0.5	3,634	-4.2	382,135,246	-0.3
Allegheny	2,430	-15.0	253,065,198	-8.5	1,857	-10.4	224,802,161	-9.2
Fayette	300	7.9	13,648,206	-1.7	202	-23.2	10,948,206	-18.8
Washington	587	6.3	52,307,715	26.3	540	5.3	50,840,715	24.7
Westmoreland	1,100	12.6	97,936,852	18.2	1,035	9.5	95,544,164	17.3
Reading MSA (Berks)	1,401	-34.1	102,899,074	-32.8	1,171	-36.1	95,577,079	-32.0
Scr-Wilkes-Barre MSA	3,619	-26.2	267,334,254	-23.7	3,067	-27.8	246,927,998	-23.4
Columbia	93	-18.4	5,015,103	-18.7	88	-18.5	4,863,103	-19.4
Lackawanna	638	-18.7	43,095,258	-25.2	529	-23.6	39,338,996	-28.3
Luzerne	1,210	-8.5	79,930,361	-6.7	860	-18.6	68,289,261	-7.9
Monroe	1,626	-37.8	136,484,244	-30.9	1,541	-34.0	131,777,350	-28.3
Wyoming	52	-25.7	2,809,288	-23.3	49	-12.5	2,659,288	-18.3
Sharon MSA (Mercer)	272	43.2	16,897,781	44.3	266	64.2	16,725,281	52.8
St Coll MSA (Centre)	807	-2.1	52,352,705	-11.6	408	-17.7	36,325,179	-11.1
W'port MSA (Lycoming)	315	-40.8	17,345,377	-33.4	275	3.0	16,510,377	-11.9
York MSA	2,637	-13.1	199,561,325	-8.6	2,439	-11.5	190,428,939	-7.6
Adams	654	-7.2	45,911,670	-3.3	654	1.4	45,911,670	1.8
York	1,983	-14.8	153,649,655	-10.1	1,785	-15.4	144,517,269	-10.2
Non-MSA counties								
Armstrong	62	-31.9	4,395,715	1.0	62	0.0	4,395,715	25.0
Bedford	129	0.0	6,373,086	6.2	129	0.0	6,373,086	6.2
Bradford	101	-15.8	5,887,048	-17.3	93	-13.9	5,523,523	-21.5
Butler	932	3.3	84,739,158	5.9	810	7.1	79,874,499	8.5
Cameron	15	66.7	1,156,105	85.4	15	66.7	1,156,105	85.4
Clarion	71	36.5	4,144,274	57.7	71	54.3	4,144,274	63.3
Clearfield	105	28.0	7,879,641	48.0	105	41.9	7,879,641	52.6
Clinton	100	25.0	4,355,521	3.1	53	-7.0	2,729,521	-6.5
Crawford	212	22.5	9,663,900	29.3	160	-0.6	7,930,715	17.9
Elk	117	34.5	5,818,688	26.5	79	2.6	4,676,212	6.6
Forest	15	7.1	766,080	62.4	15	7.1	766,080	62.4
Franklin	310	-18.0	22,715,840	-10.0	310	-18.0	22,715,840	-10.0
Fulton	40	2.6	1,933,000	-16.2	40	2.6	1,933,000	-16.2
Greene	14	75.0	623,000	36.4	14	75.0	623,000	36.4
Huntingdon	158	-3.1	7,764,630	33.6	158	-0.6	7,764,630	37.7
Indiana	159	101.3	12,397,200	64.6	103	58.5	9,923,200	46.2
Jefferson	80	-12.1	4,005,300	-11.5	80	-12.1	4,005,300	-11.5
Juniata	109	39.7	4,779,117	49.4	79	19.7	4,085,617	38.8
Lawrence	351	36.0	17,024,871	52.9	184	35.3	12,034,871	51.0
McKean	55	-8.3	2,955,786	-8.2	55	-8.3	2,955,786	-8.2
Mifflin	165	27.9	8,759,688	37.0	159	27.2	8,599,688	37.8
Montour	113	-44.6	7,111,343	-11.0	111	-45.6	7,051,343	-11.7
Northumberland	172	-27.4	9,251,493	-14.2	170	-12.8	9,201,493	-4.7
Pike	1,053	-29.8	94,256,169	-21.5	1,044	-26.3	93,509,529	-19.7
Potter	42	-2.3	1,056,790	-12.0	42	-2.3	1,056,790	-12.0
Schuylkill	233	-14.0	14,309,487	-15.7	213	-20.8	13,644,487	-19.3
Snyder	85	16.4	6,035,981	29.8	81	11.0	5,935,981	27.6
Sullivan	64	-8.6	3,396,918	-0.3	64	-8.6	3,396,918	-0.3
Susquehanna	159	-9.1	11,912,401	40.7	159	-5.4	11,912,401	42.5
Tioga	180	-3.7	7,393,136	-6.9	176	-4.9	7,293,136	-7.5
Union	160	10.3	9,810,224	4.1	100	-28.1	7,605,696	-17.1
Venango	69	40.8	2,983,021	31.9	65	32.7	2,911,021	28.7
Warren	75	-22.7	3,743,002	-3.0	75	-5.1	3,743,002	13.4
Wayne	546	-27.2	37,042,750	-27.0	481	-35.7	34,842,750	-31.3

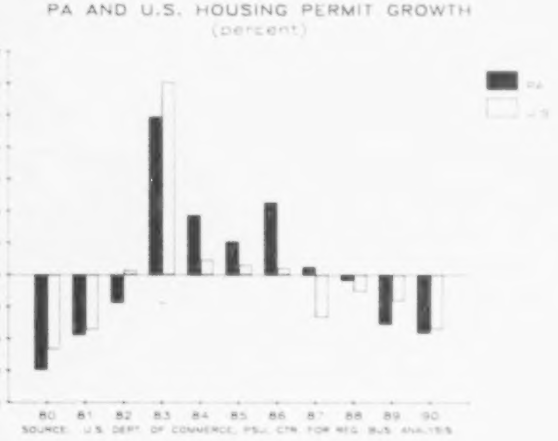
Source: U.S. Dept. of Commerce, Bur. of the Census.

Philadelphia, and Scranton-Wilkes-Barre were home to the largest declines. Of the Commonwealth's 34 non-metro counties, 18 were home to declines in single-family residential permits last year.

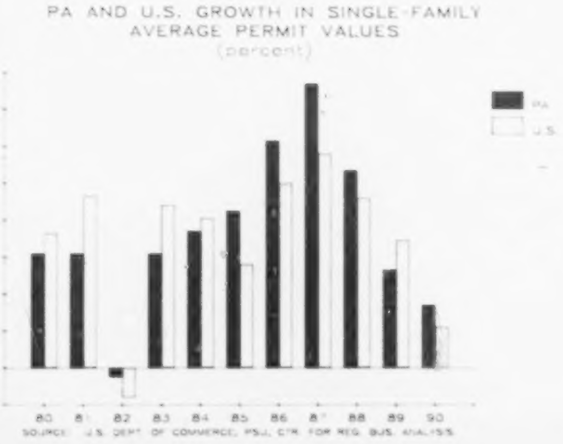
A comparison of average single-family permit values, which are a very rough approximation of marketplace trends, suggests that the State's most populous metropolitan areas, including Pittsburgh, Philadelphia, and Allentown-Bethlehem, were home to the highest valuations in 1990. The relatively small Williamsport, Sharon, and Johnstown regions were home to the lowest valuations (chart).

On the nonresidential side, the number of new projects authorized by permit last year was down 10.3 percent, although there was a slight 3.4 percent increase in total valuations. There were 20,079 nonresidential projects authorized by permit in Pennsylvania during 1990. Authorizations were off in the neighborhood of 20-25 percent in each of the three largest categories: stores, industrial buildings, and office buildings.

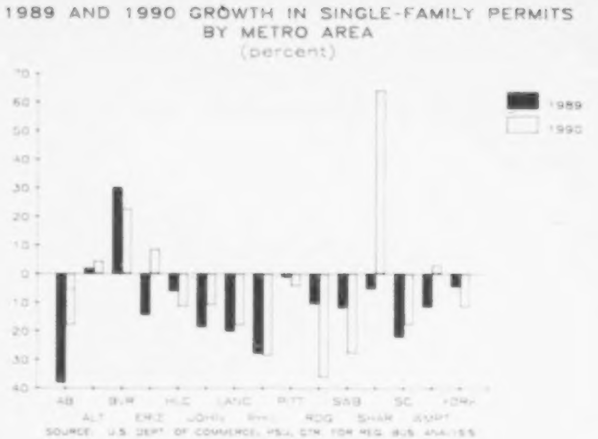
Declines in nonresidential activity were even more widespread than on the residential side. Of the State's 33 metro area counties, 23 authorized fewer nonresidential projects during 1990. Twenty-four of Pennsylvania's 34 non-metro counties were home to declines in nonresidential permit activity.


PA AND U.S. HOUSING PERMIT GROWTH
(percent)

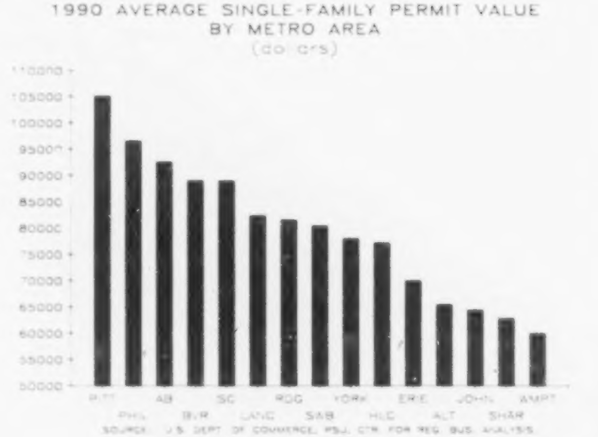
SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS


PA AND U.S. GROWTH IN SINGLE-FAMILY AVERAGE PERMIT VALUES
(percent)

SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS


1989 AND 1990 GROWTH IN SINGLE-FAMILY PERMITS BY METRO AREA
(percent)

SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS


1990 AVERAGE SINGLE-FAMILY PERMIT VALUE BY METRO AREA
(dollars)

SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

There are some preliminary signs that perhaps the worst is over for the construction industry in Pennsylvania, at least on the housing side of the ledger. The rate of decline in residential permit activity has eased a bit in recent months. So, while there is unlikely to be a significant recovery in residential activity, the rather worrisome performance turned in during 1989 and 1990 may not be repeated in the current year. Nationally, the construction sector has often led the economy out of recession. The forecast for a relatively weak rebound in construction activity is certainly consistent with the weak overall economic recovery which is so widely expected by forecasters.

— William D. Anderson

Focus on the U.S. Economy

Those involved in the publication of the Pennsylvania Business Survey *are constantly striving for consistency in reporting on economic conditions and trends as they relate to the Commonwealth. As a result, several dominant or overriding themes are often used as reference points and serve as common denominators in our analyses. Several times in the past, the ties between the Pennsylvania and U.S. economies have been highlighted. In order to keep readers updated on all factors having an impact on Statewide economic con-*

ditions, it is felt that it is worthwhile to provide a thorough overview of U.S. economic conditions on a periodic basis. This represents the fourth consecutive year that the June issue of the Survey *focuses in on the national economy.*

Economists from four leading banks in Pennsylvania have agreed to provide commentary on U.S. economic conditions. The views expressed below are those of the contributors and do not reflect those of The Pennsylvania State University or the individual financial institutions. The Center for Regional Business Analysis gratefully acknowledges the contributions of each of the participants.

Jake Haulk, Vice President and Senior Economist, Mellon Bank, N.A., Pittsburgh, Pennsylvania.

The recession is showing signs of bottoming out and the odds continue to favor a sluggish recovery beginning around mid-year. In the housing market, for example, activity is slowly climbing out of the cellar. There are also indications that the recession is losing its grip on the manufacturing sector. Likewise, there are some encouraging signs that the slide in consumer spending that accounted for roughly 70 percent of the decline in real GNP since last fall has almost run its course. The prospect of a steadier pace of consumer spending and residential construction activity suggests that the liquidation of excess inventories will shortly become much less of a depressant on overall economic activity.

Even though there are some persuasive signs that the decline is bottoming out, the Federal Reserve is still under considerable pressure to implement an aggressive easing of monetary policy designed to accelerate recovery from the recession. Given the fact, however, that the Federal Reserve has lowered the federal funds rate by 250 basis points since mid-1990, it must be questioned whether another 25 or even 50 basis point cut will have a discernible impact on the economy. Often forgotten or overlooked in much of the discussion regarding the appropriate course for monetary policy is the fact that long-term interest rates, which have an important bearing on investment decisions and construction activity, are well beyond the direct control of the Federal Reserve.

While not ruling out another small reduction in the federal funds rate to 5.5 percent, we believe that for all intents and purposes, short-term interest rates are now at their lows for this cycle. At the long end of the market, meanwhile, the forces that have held bond yields in a narrow trading range since February are unlikely to dissipate anytime soon. Consequently, we are forecasting that the yield on long-term Treasuries, presently in the neighborhood of 8.30 percent, will continue to fluctuate in the 8.10-8.50 percent range through the rest of the year.

Looking beyond the current recession, we see a muted and narrowly based recovery that for many companies and individuals may be virtually indistinguishable from the downturn. The reason can be found in the following list of factors that are likely to constrain the economy's growth pace over the next year or so:

- a weak job market and limited gains in real disposable income;
- the lack of pent-up demand for houses, automobiles, and other big-ticket items;
- the sizable overhang of excess commercial space;
- the slow and cautious rebuilding of inventories;
- the availability of credit may be less than that experienced in previous economic expansions; and,
- the persistence of massive fiscal problems at all levels of government.

The negative impact of these forces is reflected in our forecast of a well-below average first year recovery in real GNP. Our forecast which calls for a mild 2.0 percent advance in real GNP compares with an average of 6 percent in previous first year post-World War II recovery periods. In sum, the recession may be drawing to a close, but the U.S. economy is still a long way from regaining a path of vigorous, noninflationary expansion.

Stuart G. Hoffman, Senior Vice President and Chief Economist, PNC Financial Corp., Pittsburgh, Pennsylvania.

This 1990-1991 recession has followed a classic "three C" pattern. The recession was preceded by a sharp drop-off in Construction spending. The recession itself was caused by a decline in Consumer spending. Finally, the tail end of this recession is now seeing a fall in Capital spending by business. An ongoing reversal of this progression suggests late 1991 through 1992 will be a recovery period — albeit a fairly weak one. Construction of new homes has just recently begun an upswing. Consumer spending is reviving this spring from the autumn/winter declines and is poised for continued gradual improvement. Finally, Capital spending will remain weak for the balance of 1991 but should turn up in 1992 in typical belated fashion.

For a timely signal of economic recovery, we are watching the following seven indicators: 1) M2 growth, 2) commodity prices, 3) unemployment insurance claims, 4) stock prices, 5) auto sales, 6) *Business Week's* production index and 7) bond yields. When at least five of these variables are in "recovery territory", our judgment is that an economic recovery is underway or imminent. As of late May, only three of these seven indicators were signaling recovery (up from two for the past several months) which suggests that the recession will *not* end this quarter. We continue to look toward the summer quarter as the "bottoming-out" period for the economy. If correct, several more of these indicators should be signaling recovery by July or August.

Payroll jobs rose slightly in May for the first time since June 1990. Revised jobs data show that the job loss was even greater than initially estimated during this recessionary period. May's industrial output and retail sales should record solid gains, in part due to unusually warm and dry weather. Yet, it is premature to conclude that *one* good month heralds the end of the recession. Jobs could decline and the unemployment rate could rise for the next several months even if recovery is taking hold. Jobs fell in the first quarter of recovery following six of the the last seven recessions. In summary, the end of the recession is in sight, but the forthcoming business upturn will be a "two steps forward, one step back" recovery process.

Fed policy will remain aimed at a 5.75 percent Fed funds rate for many months to come. Recent economic data reduces the odds of a further dip in the funds rate but it is much too premature to talk of a Fed-engineered hike in short-term interest rates. The Treasury bond market is suffering from a bad case of "recovery fever". Yields have risen to near 8.5 percent on the fear that recovery will bring higher inflation. This anxiety is overblown. The bond market's sell-off represents a buying opportunity for value-oriented fixed-income investors. Intermediate-term Treasury securities in excess of 8 percent offer good value relative to our expected 4 percent inflation rate for the next several years. Rising bond yields will soon mean higher mortgage rates approaching 10 percent. This could snuff out the nascent recovery in home buying and building.

Bernard M. Markstein, Senior Economist and Vice President, Meridian Bank, Reading, Pennsylvania.

The recession that began in July 1990 is drawing to a close. There is growing evidence that the economy has either already bottomed or is in the process of doing so. Housing construction which was in a slump throughout 1990 reached its low in January and is now exhibiting signs of recovery. Recent strength in retail sales suggests that the decline in consumer spending is over. Finally, industrial production is showing indications of revival.

However, the ensuing recovery promises to be lethargic compared to previous post-World War II expansions. No engine for growth is evident. First, monetary policy has been constrained by choice. Historically, the Federal Reserve has moved to ease credit conditions during economic slowdowns. Frequently, as recessions have progressed, the Fed has overreacted, pumping excessive liquidity into the system. The result was robust growth as the monetary stimulus continued to exert its influence well into the recovery phase. That stimulus often laid the foundation for later inflationary problems. This time around, as in the past, the Federal Reserve provided liquidity to the banking system as data accumulated indicating that a slowdown/recession was in progress. However, unlike other times, the Fed took a more cautious approach in its easing, avoiding a panic reaction to current events. Thus, after a drop in the Federal Reserve discount rate to 5.5 percent in late April, the Fed moved to a neutral stance. If, instead, the Federal Reserve actions had followed the pattern of previous times, the Fed would have continued to ease credit well into the early stages of recovery. As a result of the Fed's conservative approach this spring, there is only modest monetary stimulus to move the economy forward.

Second, fiscal policy has been constrained by necessity. In previous downturns, it was only when the economy was well into the recession that Congress felt the need to act. The combination of the legislative process and the logistics of putting a new program into place would virtually guarantee that the fiscal stimulus did not reach the economy until the recovery was well underway. This time, however, despite Congressional desire to enact such programs, the budget deficit together with the budget agreement have prevented these stimulative moves. In fact, with Federal fiscal policy providing little additional stimulus, and the woes of state and local budgets producing tax increases and budget cuts to correct those problems, the net effect on the economy has been fiscal drag.

Third, the consumer, who actively led the recovery out of recession in 1981-82, seems less prepared for the task this time. Household balance sheets have relatively high levels of debt, while one major asset, housing, has depreciated. Further, the shift in demographics as the baby-boom bubble ages has reduced the traditional stimulus from home construction.

Finally, exports, which have been the one bright spot throughout the recession, are unlikely to provide significant stimulus in the coming year. A number of our trading partners are currently in recession, and the economies of many others are slowing. The recent strength of the dollar in foreign exchange markets will make export growth that much more difficult.

There appears to be enough potential stimulus in the economy to serve as a basis for some expansion. As employment increases (May employment rose for the first time in 11 months), personal income will rise, albeit slowly, and spending should increase gradually. Compared to the typical post-World War II recovery, this expansion will be modest and will be particularly susceptible to negative shocks. However, even a modest expansion is preferable to the recession we have been experiencing.

Joel L. Naroff, Chief Economist, First Fidelity Bancorporation, Philadelphia, Pennsylvania.

With the recession ending, the central question is how robust will be the economic recovery? The consensus forecast is that the rebound will be much weaker than average with the economy growing by only 2.5 to 3 percent. In comparison, in the first year after a recession, GNP usually surges by about 5.5 percent. However, it would not be surprising to see economic activity somewhat stronger than most economists are predicting. Yet even if GNP growth exceeds consensus forecasts over the second half of 1991, there is a possibility that the economy could fall back into recession in 1992.

The case for an expansion considered meager when compared to typical past recovery periods is compelling. There have been three years of fairly restrictive monetary policy that six months of average money growth will not overcome. Also, the Federal Reserve Board has worried so much about easing too aggressively that they may have stopped lowering rates before the trough in economic activity was reached. In the past, the Fed continued to lower rates for about two months after the upturn started, which added to the expansion. This monetary push will not occur in this recovery.

Monetary policy is not the only, or necessarily the most important, villain in the slow rebound scenario. In the past, the federal government reacted to a recession by expanding spending, particularly on public works projects. These projects rarely got underway during the downturn, but they did help accelerate the recovery. Now, we have a budget process that has prevented any expansionary spending. Further compounding the problem, state and local governments are raising taxes and cutting services, restricting the ability of government to raise economic growth.

The problems are not limited to the public sector. Debt burdens of business and households remain at historically high levels, and limited expansion of credit demand may constrain growth in output and consumption. Financial institutions are still weak and they are taking a more conservative view of supplying credit. The problems in the commercial and residential real estate markets must be worked out before this major engine of growth can kick in. Maybe most importantly, as economies around the world decelerate, the level of U.S. export growth will ease, reducing the large positive impact that trade has had on the economy. All of these factors seem to imply a lackluster recovery.

Is it possible that the recovery could be better than expected? The mathematics of GNP accounting make it extremely difficult to have the recovery most economists forecast. GNP growth is measured in terms of percentage changes on a quarter-to-quarter annualized basis. Thus, moderate changes in one three-month period become magnified when viewed as if they occurred for an entire year. For example, auto sales should be about 6 million in the second quarter of 1991. This is a depression for Detroit. If sales rise to 6.5 million in the third quarter, still a terribly low level, it would amount to an 8.3 percent increase over the quarter but a 38 percent increase when annualized. It is this 38 percent increase that goes into GNP growth.

The problem here is the confusion between levels of economic activity and changes in those levels. GNP growth is just that, a change in output. Even if the level of economic activity remains low, it would be easy to reach 4 percent GNP growth in either the third and/or fourth quarter of 1991. This would not imply that there is a high level of demand in the economy, but the rate of growth would surprise a large number of people. It should not.

Even if output expands faster than expected in the second half of 1991, the long-term staying power of the recovery is still in question. None of the negative factors facing the economy will have gone away with a somewhat stronger than expected rebound. Instead, interest rates could rise through the end of the year. Indeed, in a typical recovery, rates rise for about six months after the trough. If long-term rates move toward 9 percent and mortgage rates rise above 10 percent, the residential real estate market, which has begun to stabilize, could face further problems. Higher interest rates could further reduce already low levels of investment spending. With an economy that has few strong industries, any momentum developed early in the recession could be lost by mid-1992. The threat then would be a second recession. Attention must be paid to this scenario.

Pennsylvania Business Survey

June 1991 Vol. 32, No. 6

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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U.Ed. BUS 91-71

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Pennsylvania Business Survey

July 1991

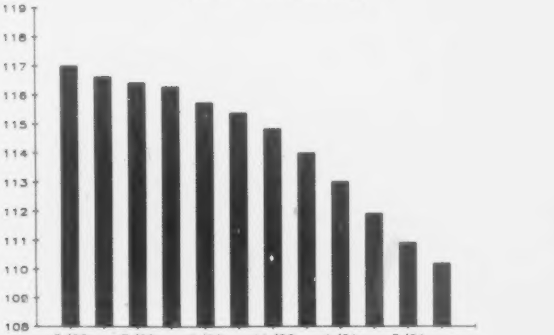
THE RECOVERY DEBATE HEATS UP IN PENNSYLVANIA

With evidence of an ensuing recovery in the national economy beginning to mount, the debate about the expansion's impacts in the Commonwealth will soon take center-stage. It is quite likely that the Pennsylvania economy remained in the grips of the national recession during the springtime months. The Index of Coincidental Indicators declined for 11 consecutive months through April (chart). Indeed, several individual indicators have yet to show any signs of recovery. Growth in resident employment, unemployment, nonfarm jobs, construction contracts, and the PICI has deteriorated over the course of 1991 (table). However, growth in a few other indicators — retail sales, factory output, and housing permit authorizations — has shown signs of improving as the year progresses. In a nutshell, **as is the case every time the economy stands near a turning point, there is ample evidence to support a hodge-podge of views concerning the economy's true health.**

Likewise, there are conflicting signals concerning the State's relative performance over the course of this recession. **First quarter nonfarm job growth in Pennsylvania (job levels were unchanged from a year ago) came in well below all regions except our neighbors in the Mideast and in New England** (table). All regions to the south and to the west realized stronger job growth. Only 14 states, plus the District of Columbia, turned in weaker gains. On the other hand, trends in the Coincidental Index tell a slightly different story. The PICI represents a composite consisting of three Pennsylvania indicators and the U.S. coincidental index. **Since the U.S. economy peaked in July of last year, the PICI has actually been outperformed by an alternative measure which excludes the U.S. component (chart). This suggests that the U.S. coincidental index has acted as an "anchor," holding back growth in the PICI.** At the same time, as reported in last month's *Survey*, year-over-year growth in the Pennsylvania Coincidential Index has come in slightly below that for its U.S. counterpart. Again, it is apparent that there is considerable evidence to support numerous views of the economy's actual performance.

Employment and unemployment trends continue to worsen in Pennsylvania. **At a seasonally adjusted 7.7 percent, May's jobless rate was its highest in five years.** The number of residents officially listed among the employed, at 5,491,000 (not seasonally adjusted), was down by 113,000 from the previous May. If current trends continue, 1991 will result in the lowest employment total since 1988. Some improvement, however, is apparent in June employment/unemploy-

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Growth in Selected Economic Indicators (percent change from year-ago month)

	Jan.	Feb.	March	April	May
Deteriorating growth					
Resident employment	−1.8	−1.4	−4.3	−1.0	−2.0
No. unemployed	19.3	18.8	38.6	27.8	56.8
Nonfarm jobs	0.3	0.0	−0.5	−0.5	−0.9
Construction contracts	1.5	3.8	−14.3	−0.9	−32.8
Coincidental index	−3.5	−4.7	−5.6	−5.6	n.a.
Improving growth					
Retail sales	−7.1	−7.4	−4.1	−3.2	n.a.
Manufacturing output	−4.3	−5.0	−6.1	−2.8	−2.9
Housing permits	−32.1	−26.9	−11.1	0.9	−11.7

Source: U.S. Depts. of Labor and Commerce; PA Dept. of L & I; F. W. Dodge; PSU, Ctr. for Reg. Bus. Analysis.

1991:IQ nonfarm job growth

	Jobs (thousands)	Pct. chg. from 1990:IQ
Pennsylvania	5,112	0.0
Mideast (ex. PA)	44,187	−1.3
New England	18,401	−3.4
Great Lakes	55,822	0.3
Plains	23,914	1.0
Southeast	75,551	0.7
Southwest	31,079	2.0
Rocky Mountain	9,415	3.4
Far West	50,480	1.2

Source: U.S. Dept. of Labor;
PSU, Ctr. for Reg. Bus. Analysis.

ment trends, the first piece of data available for that month.

On a brighter note, one of the themes acting as a "common denominator" among recent issues of the *PBS* has been that economic growth has been more evenly distributed across the Commonwealth in recent months. Unemployment rate trends provide additional evidence that this is, indeed, the case. Specifically, since it peaked in 1987, the "coefficient of variation" among Pennsylvania's 67 counties (with respect to unemployment rates) has declined considerably (chart). The coefficient of variation is calculated by dividing the standard deviation, a measure of the spread of the 67 jobless rates, by the mean of the 67 observations. Hence, the higher the coefficient, the larger is the dispersion of the data, expressed as a percentage of the average jobless rate. **During the first several years of the 1980s, the coefficient of variation increased as there was a relatively large dispersion of jobless rates, with most of the lower rates found in the east, especially the southeast. As the west narrowed the gap in the final years of the decade and into the 1990s, resulting in a more uniform spread of unemployment rates, the coefficient declined.**

Factory job trends remain worrisome. The downtrend in jobs, which began in 1989, shows no signs of reversing. May's job total of 970,000 was down nearly 50,000 from a year ago. **Although up slightly from April, the average factory workweek, a leading indicator of manufacturing hiring trends, remains well below year-ago readings.** May's minimal monthly gain is not likely the start of an upward trend. However, the all-important production trends are beginning to look up. **The Pennsylvania Manufacturing**

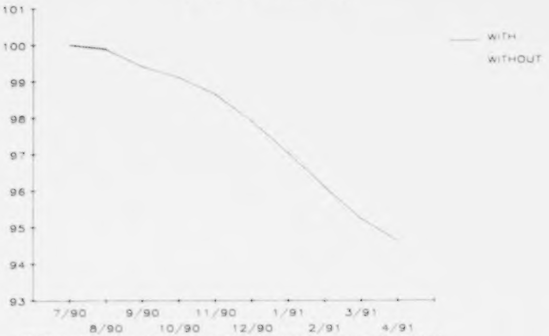
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1991		1990	1991		1990	1991		1990
	Apr.	*May*	*May*	*Apr.*	*May*	*May*	*Apr.*	*May*	*May*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,139*	5,156	5,203	5,145*	5,133	5,184	112.7	112.4	113.5
Service Producing									
No. of wage and salary jobs (thous.)	3,927*	3,931	3,923	3,922*	3,915	3,907	131.1	130.9	130.6
Transportation and public utilities	267*	269	267	267*	268	265	102.1*	102.3	101.4
Wholesale trade	273	274	277	273	274	277	123.2	123.4	124.9
Retail trade	894*	898	900	903	901	903	125.9	125.6	125.9
Finance, insurance & real estate	299*	301	300	301	301	300	138.2*	138.3	137.9
Service & miscellaneous	1,477	1,479	1,450	1,474	1,474	1,445	170.9	170.9	167.6
Federal government	136	136	153	134	134	152	104.6	104.4	118.4
State & local government	582	575	576	569	566	567	97.6	97.2	97.3
Goods Producing									
No. of wage and salary jobs (thous.)	1,211*	1,219	1,278	1,224	1,218	1,277	77.7*	77.4	81.1
Construction	213	223	232	220*	221	230	119.8*	120.1	125.1
Mining	26	27	28	26	27	28	55.0	55.2	57.7
Manufacturing	972	970	1,019	976*	971	1,019	72.7*	72.4	75.9
Durable goods	544	543	578	545	543	577	67.3	67.0	71.2
Nondurable goods	428*	427	441	431*	429	443	80.9*	80.6	83.2
Ave. wkly. hrs. worked by prod. workers	39.9	40.1	40.7	40.2	40.3	40.9	101.8	102.0	103.5
Total wkly. person-hours worked (mils.)	26.4*	26.5	28.6	26.8	26.7	28.8	69.7*	69.5	74.9
Total wkly. payroll (mil. dols.)	299.5	301.6	313.9	303.4	304.0	316.3	135.1*	135.3	140.8
Average hourly earnings (dollars)	11.38	11.33	10.98	11.38	11.35	11.00	194.5*	194.1	188.0
Average weekly earnings (dollars)	452.07	456.34	446.89	456.64	459.56	449.88	197.4*	198.7	194.5
Steel production (thous. tons)	779	803	1,067	n.a.	n.a.	n.a.	32.2	34.1	45.1
Industrial electric power sales (mil. kwh)	3,648	3,735	3,751	3,734	3,823	3,816	101.1	103.5	103.3
Mining									
Anthracite coal (thous. net tons)	221	216	272	238	222	277	48.7	45.4	56.6
Bituminous coal (thous. net tons)	5,641	5,524	6,235	5,706	5,459	6,022	80.9	77.4	85.4
Construction contracts awarded (mil. dols.)									
Total	887.6	734.7	1,092.6*	834.7	668.0	976.1*	259.4	207.6	303.4*
Residential building	315.9	293.4	368.6*	270.2	241.1	294.3*	192.0	171.3	209.1*
Nonresidential building	314.5	278.2	313.5*	339.7	289.0	321.8*	313.1	266.4	296.6*
Nonbuilding (utilities and public works)	257.2	163.1	410.5*	224.8	137.9	360.0*	310.2	190.3	496.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,507	5,491	5,604	5,539	5,511	5,624	115.3	114.7	117.0
Unemployed									
No. of persons (thous.)	404	447	285	423	458	297	105.6	114.3	74.0
Rate (percentage of labor force)	6.8	7.5	4.8						
Rate, seasonally adjusted				7.1	7.7	5.0			
Civilian labor force, no. of persons (thous.)	5,911	5,938	5,889	5,963	5,969	5,921	114.5	114.7	113.7
Initial claims for unemployment benefits	115,010	102,710	84,675	118,977	120,586	99,019	83.1	84.2	69.2

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1991		1990	Month	Year
	Apr.	*May*	*May*	*Ago*	*Ago*
U.S. city average	135.2	135.6	129.2	0.3	5.0
Philadelphia	140.8	141.3	134.6	0.4	5.0
Pittsburgh	130.3	n.a.	124.9†	n.a.	4.3

[1] Total includes workers on strike. * = figure revised † figure for April 1990 n.a. = data not available

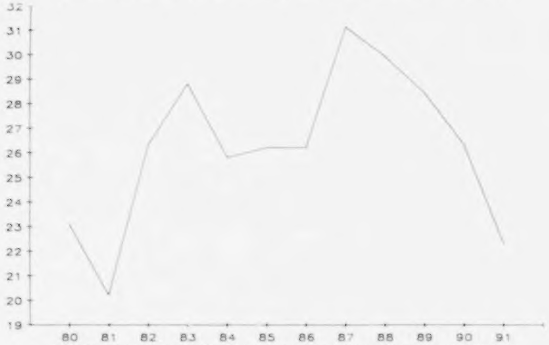
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

THE PICI: WITH AND WITHOUT THE U.S. COINCIDENTAL INDEX
(July 1990=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

UNEMPLOYMENT RATE COEFFICIENT OF VARIATION: PENNSYLVANIA COUNTIES
(standard deviation as a percent of mean)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

New Pennsylvania building permit authorizations (percent change from year ago)

	May	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,510	−11.7	14,026	−15.0
Nonresidential	2,467	4.0	7,422	− 5.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

Activity Index increased in both April and May and in three of the past five months. As outlined above, year-over-year declines in the PMAI are becoming less pronounced.

Most indicators of building-related activity continue to point to sluggish trends in this sector of the economy. Still, the rate of decline is probably not nearly as pronounced as in 1990 and early 1991. May brought with it a 12 percent decline from a year ago in the number of new housing units authorized by permit. On the nonresidential side, there was a welcome 4 percent gain. Still, year-over-year trends continue to point down. May was also a weak month with respect to the value of new construction contract awards. On the bright side, construction job levels rose after seasonal adjustment for the first time since January, albeit by a minimal 500 relative to April readings. At the same time, job readings remain about 9,000 below a year ago.

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	April	Pct. chg.	Year-to-date	Pct. chg.
Total	6,496	− 3.2	24,311	− 5.3
Durables	2,168	−10.2	7,662	−16.4
Bldg. mat.	260	− 3.3	779	−15.5
Auto dlrs.	1,348	− 7.6	4,655	−14.1
Furniture	261	−11.8	996	−21.6
Other	299	−23.5	1,232	−20.9
Nondurables	4,328	0.8	16,649	0.8
Gen. mdse.	695	−2.3	2,355	−2.4
Food/grocery	1,390	4.2	5,599	4.8
Gas	422	7.1	1,616	3.4
Apparel	357	3.8	1,257	2.9
Eat/drink	712	−11.8	2,626	−13.4
Drugs	280	7.7	1,139	9.0
Other	472	6.1	2,057	8.5

Seas. adj. total:	April	6,431
	March	6,640

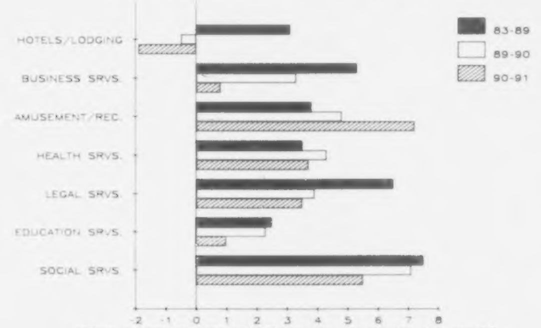
Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
April	40,472	−22.4
1991 YTD	162,209	−19.6
12-month total	572,948	−11.8

Source: R.L. Polk & Co.

HISTORICAL TRENDS IN SERVICE INDUSTRY JOB GROWTH
(average annual percent change)

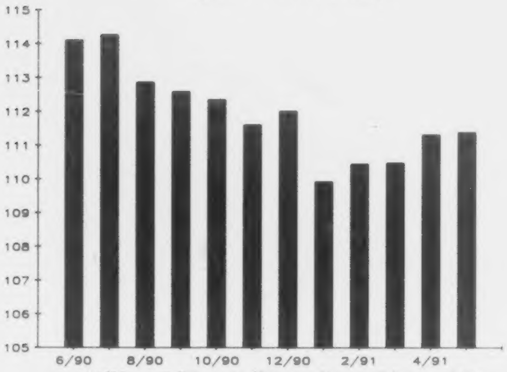


SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

Within the service producing sector, **retail activity remains soft, though the decline in retail sales has been easing a bit of late.** April resulted in a 3.2 percent decline in sales, the smallest decline so far this year. Retail jobs are struggling to hold their own. Job levels have been in a holding pattern since the beginning of 1990. As of May, job totals, at 898,000, were down by 2,000 from a year ago.

Practically all new jobs currently being generated in the economy are traceable to the service industries. In May, job levels in these industries were up by 29,000 from a year ago. Still, signs of a slowdown are evident in several industries within the broad service sector. For instance, growth so far in 1991 is down from 1990 growth and 1983-1989 growth in five of the seven service industry categories (chart). The exceptions are the amusement/recreation and health services industries.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

As an aside, caution should be exercised in interpreting job trends in the public sector. Pennsylvania was home to 136,000 federal government jobs in May, down 17,000 over the year. However, 1990 readings were inflated due to the temporary hirings of thousands of workers needed to conduct the decennial census. (Even with the public sector excluded, the deteriorating growth performance in nonfarm jobs during the first five months of 1991 noted above still holds.)

All things considered, "cautious optimism" is perhaps the best way to characterize short-term economic expectations in Pennsylvania. The Pennsylvania Index of Leading Indicators, perhaps the best summary measure of future expectations, has been trending upward since February (chart). The worst of this recession is surely behind us. The question now revolves around the strength of the recovery. As always, the situation nationally will determine Pennsylvania's short-term performance. The consensus, with respect to the national economy, calls for a mediocre recovery in the months ahead. Problems in the real estate sector, heavy debt loads, and weak public finances (at the national, state, and local levels) will limit the strength of the rebound. The economics community, however, has been known to underestimate the strength of past rebounds. A best-case scenario suggests that the upcoming recovery will mirror those following previous recessions. The worst-case scenario involves a "double-dip" — two recessions sandwiched around a short recovery. Clearly, the consensus falls somewhere between these two extremes.

— *William D. Anderson*

Pennsylvania Business Survey

July 1991 Vol. 32, No. 7

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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Pennsylvania Business Survey

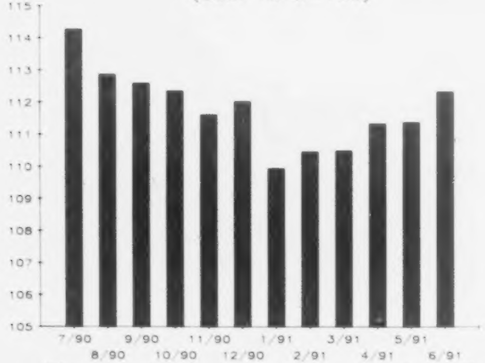
August 1991

WEAKNESS IN ECONOMY HINTS AT SLUGGISH RECOVERY

In each of the past five months (through June), and in six of the past seven, the Pennsylvania Index of Leading Indicators has inched forward, suggesting that an end to the downtrend in the economy was in sight (chart). Based upon trends in the Index of Coincidental Indicators (chart), the Pennsylvania economy may soon be shifting gears from the final stages of recession to the early stages of recovery. The month-to-month decline in the PICI reached a recessionary peak of 1 percent in February. Since then, the rate of decline has eased in three consecutive months, implying a gradual weakening in the recession's grip on the State's economy.

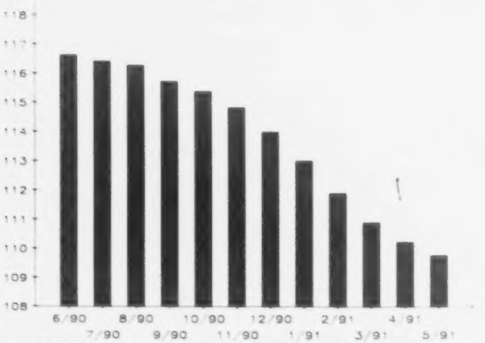
While it is still a bit too early to be definitive, most indicators are pointing to a weak recovery nationwide, and hence, in the Commonwealth. Indeed, signs of weakness still abound in Pennsylvania in such sectors as construction, retail trade, and manufacturing. On the plus side, the downward spiral in residential building activity may be nearing an end. June brought with it an additional annual decline of 2.3 percent in the number of new housing units authorized by permit, one of the smaller declines of late. On a year-to-date basis, permit activity in 11 of 14 counties for which data are available has been down. Preliminary signs of improvement are especially evident for single-family projects. After peaking in December of last year, the rate of decline in single-family permit authorizations has eased considerably. In fact, there were some minimal year-over-year gains recorded in both April and June. The situation on the multi-family side has been considerably more volatile. While recent trends continue to point to some downward pressure on residential activity, the dropoff has not been nearly as pronounced as in 1989 and 1990. On the nonresidential side, permits for new projects increased in both May and June and in three of the past five months. On the other hand, year-to-date authorizations have been down in 13 of the 14 counties tracked.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

While the end of construction's severe slump may be in sight, there is no denying that recent months have not been kind to building-related jobholders. Simply put, **the normal spring and summer run-up in construction jobs has not been as pronounced as expected this year. Since February, seasonally adjusted job readings have declined in four of five months.**

Retail sales in Pennsylvania continue to be held back by sluggishness on the durable goods side. So far this year, sales of durable goods have declined by 15.9 percent. Sales of furniture-related items have been especially hard-hit, partly in response to slow building activity. Nondurable goods sales have held up relatively well. On a year-to-date basis, they were up 1.5 percent which included a 3.7 percent annual gain in the month of May. Sales are weak in each of the State's two major metropolitan areas, though especially so in the Philadelphia region. As has been the case for the past several months, the number of new motor vehicles registered in the Commonwealth continues to fall well short of year-ago readings. **In light of these findings, the fact that retail trade jobs have, at best, been at a standstill since the beginning of 1990 is not at all surprising.**

Job trends remain especially worrisome in Pennsylvania's factories. The 973,000 jobs maintained in these

New Pennsylvania building permit authorizations (percent change from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,557	−2.3	17,691	−12.2
Nonresidential	2,612	5.9	10,166	− 1.3

Source: U.S. Dept. of Commerce, Bureau of the Census.

establishments during June were off by 50,000 from a year ago. Production activity moves forward hesitantly, with some encouraging months and some weak months. June was apparently weak. On the plus side, a survey of Mid-Atlantic (including Pennsylvania) manufacturers by the Federal Reserve Bank of Philadelphia suggests that business is firming up a bit, with some improvement expected in coming months.

Against the backdrop of these generally weak, though improving, conditions in the economy as a whole, **total nonfarm job trends have been unimpressive of late. The 5,164,000 positions in Pennsylvania establishments in June were off by 48,000 from a year ago. On a seasonally adjusted basis, job levels have been on the decline for five consecutive months. Recent nonagricultural job trends also highlight the shift in the relative economic performance of the eastern and western halves of the State. A ranking of the 15 Pennsylvania metropolitan areas according to annual job growth during the course of the current recession suggests that the top six performers were all from the western half of the Commonwealth (chart). The bottom six were from the opposite end of the State.**

June brought with it a welcome decline in the jobless rate in Pennsylvania, from a seasonally adjusted 7.7 percent in

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1991		1990	1991		1990	1991		1990
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,154*	5,164	5,212	5,132	5,124	5,170	112.4	112.2	113.3
Service Producing									
No. of wage and salary jobs (thous.)	3,931	3,934	3,920	3,915	3,914	3,900	130.9	130.8	130.4
Transportation and public utilities	270*	269	268	268	268	266	102.5*	102.3	101.7
Wholesale trade	274	275	279	274	273	277	123.4	123.0	124.9
Retail trade	898	906	905	900*	904	903	125.5*	126.0	125.9
Finance, insurance & real estate	300*	304	302	301	301	299	138.2*	138.3	137.6
Service & miscellaneous	1,480*	1,488	1,457	1,476*	1,477	1,446	171.1*	171.3	167.7
Federal government	136	136	148	134	134	146	104.5*	104.4	113.7
State & local government	574*	556	561	565*	560	565	97.0*	96.0	96.9
Goods Producing									
No. of wage and salary jobs (thous.)	1,218*	1,230	1,291	1,216*	1,209	1,270	77.3*	76.8	80.7
Construction	222*	230	240	221	219	229	120.0*	119.1	124.4
Mining	26*	27	28	26*	26	28	55.0*	54.8	57.7
Manufacturing	969*	973	1,023	970*	965	1,015	72.2*	71.9	75.6
Durable goods	542*	544	581	542*	538	575	66.9*	66.4	71.0
Nondurable goods	427	430	443	428*	427	440	80.5*	80.3	82.7
Ave. wkly. hrs. worked by prod. workers	40.1	40.5	40.9	40.3	40.4	40.8	102.0	102.2	103.2
Total wkly. person-hours worked (mils.)	26.5	26.8	28.9	26.6*	26.5	28.6	69.4*	69.1	74.5
Total wkly. payroll (mil. dols.)	301.4	307.0	317.9	303.8*	304.5	315.5	135.2*	135.5	140.4
Average hourly earnings (dollars)	11.39	11.44	11.00	11.41	11.46	11.02	195.1*	195.9	188.3
Average weekly earnings (dollars)	456.74	463.32	449.90	459.96	463.32	449.66	198.8*	200.3	194.4
Steel production (thous. tons)	803	703	989	n.a.	n.a.	n.a.	34.1	32.6	46.0
Industrial electric power sales (mil. kwh)	3,735	3,819	3,852	3,823	3,722	3,813	103.5	100.8	103.2
Mining									
Anthracite coal (thous. net tons)	216	226	271	222	232	283	45.4	47.5	57.8
Bituminous coal (thous. net tons)	5,524	5,420	5,936	5,459	5,340	6,044	77.4	75.7	85.7
Construction contracts awarded (mil. dols.)									
Total	734.7	943.7	1,028.8*	668.0	713.8	762.7*	207.6	221.9	237.1*
Residential building	293.4	316.0	296.2*	241.1	295.0	272.9*	171.3	209.6	193.9*
Nonresidential building	278.2	357.6	502.0*	289.0	275.0	368.1*	266.4	253.5	339.3*
Nonbuilding (utilities and public works)	163.1	270.1	230.6*	137.9	143.8	121.7*	190.3	198.3	167.9*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,491	5,618	5,678	5,511	5,546	5,609	114.7	115.4	116.7
Unemployed									
No. of persons (thous.)	447	406	296	458	394	281	114.3	98.2	70.1
Rate (percentage of labor force)	7.5	6.7	5.0						
Rate, seasonally adjusted				7.7	6.7	4.8			
Civilian labor force, no. of persons (thous.)	5,938	6,024	5,974	5,969	5,940	5,891	114.7	114.1	113.1
Initial claims for unemployment benefits	102,710	97,940	88,201	120,586	115,733	99,514	84.2	80.8*	69.5

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1991		1990	*Month Ago*	*Year Ago*
	Feb.	*Mar.*	*Mar.*		
U.S. city average	135.6	136.0	129.9	0.3	4.7
Philadelphia	141.3	141.8	135.1	0.4	5.0
Pittsburgh	n.a.	130.7	125.0	n.a.	4.6

[1] Total includes workers on strike. * = figure revised n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1991: II	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	679	12.6	991	-8.6
Carbon	34	-45.2	50	-44.4
Lehigh	262	17.5	385	-18.4
Northampton	383	20.4	556	6.5
Beaver County MSA	125	-16.7	200	-24.0
Philadelphia MSA	2,207	-9.5	4,109	-12.8
Bucks	710	10.4	1,326	6.9
Chester	528	-9.0	1,138	5.5
Delaware	174	-3.3	313	-20.8
Montgomery	717	2.4	1,081	-33.1
Philadelphia	78	-76.9	251	-34.3
Pittsburgh MSA	1,223	-4.2	1,813	-18.1
Allegheny	646	3.5	978	-17.1
Fayette	90	-43.0	137	-32.8
Washington	175	-2.2	245	-19.9
Westmoreland	312	-1.3	453	-13.4
Adams County	205	-2.4	284	-24.7
Nonres. buildings				
Allentown-Beth. MSA	557	-25.0	765	-27.8
Carbon	42	-23.6	74	-18.7
Lehigh	218	-23.5	299	-29.6
Northampton	297	-26.3	392	-27.8
Beaver County MSA	118	-6.3	172	4.9
Philadelphia MSA	1,440	-17.4	2,018	-19.2
Bucks	437	-24.3	585	-27.9
Chester	365	-15.1	491	-21.3
Delaware	116	-43.1	186	-32.4
Montgomery	484	-0.4	694	-1.7
Philadelphia	38	-17.4	62	-22.5
Pittsburgh MSA	719	-11.1	1,022	-14.5
Allegheny	378	-9.4	532	-8.9
Fayette	70	-15.7	91	-25.4
Washington	135	3.8	195	-7.1
Westmoreland	136	-24.0	204	-27.1
Adams County	70	6.1	111	-1.8

Source: U.S. Dept. of Commerce, Bureau of the Census;
PSU, Ctr. for Reg. Bus. Analysis.

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	April	Pct. chg.	Year-to-date	Pct. chg.
Total	6,946	-3.3	31,293	-4.8
Durables	2,220	-15.3	9,910	-15.9
Bldg. mat.	275	-16.9	1,055	-15.8
Auto dlrs.	1,346	-17.2	6,032	-14.4
Furniture	266	-17.4	1,255	-21.2
Other	333	-2.9	1,568	-17.5
Nondurables	4,726	3.7	21,383	1.5
Gen. mdse.	777	5.3	3,131	-0.6
Food/grocery	1,563	8.2	7,181	5.8
Gas	444	6.7	2,060	4.1
Apparel	387	11.2	1,649	5.0
Eat/drink	827	-3.6	3,462	-11.0
Drugs	290	7.8	1,429	8.8
Other	438	-9.9	2,471	3.7

Seas. adj. total:	May	6,666
	April	6,354

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

1991:IIQ county employment (pct. and pct. pt. changes are from year-ago quarter)

	Empl. (thous.)	Ann. pct. chg.	Unemp. Rate (pct.)	Ann. pct. pt. chg.*
Adams	37.7	-0.8	5.9	2.2
Allegheny	632.2	-0.8	5.3	1.3
Armstrong	26.4	-2.9	9.9	2.7
Beaver	54.9	-2.0	9.4	2.0
Bedford	20.4	0.0	9.7	1.6
Berks	164.5	-2.2	7.2	2.2
Blair	56.9	-1.9	9.6	3.1
Bradford	29.5	-4.2	6.9	1.7
Bucks	283.9	-1.5	7.2	3.2
Butler	71.9	-0.7	6.8	1.5
Cambria	59.4	-0.3	9.5	2.3
Cameron	2.6	0.0	9.0	1.6
Carbon	23.9	0.0	10.4	2.9
Centre	63.6	-0.6	6.2	1.4
Chester	191.7	-1.5	4.5	1.5
Clarion	16.0	-3.0	9.3	0.4
Clearfield	31.2	-1.0	11.4	1.8
Clinton	14.0	-0.7	11.4	2.4
Columbia	29.3	-1.7	8.5	2.7
Crawford	36.4	-4.7	9.5	3.0
Cumberland	106.2	-0.7	4.7	1.5
Dauphin	129.4	-0.7	5.5	1.3
Delaware	276.9	-1.5	5.5	1.8
Elk	16.2	-1.8	10.3	4.8
Erie	126.4	-0.6	7.0	1.8
Fayette	54.6	-0.7	9.4	1.8
Forest	1.7	-5.6	9.3	0.8
Franklin	56.7	-1.9	7.2	2.8
Fulton	5.9	-1.7	8.7	3.4
Greene	12.0	0.8	11.5	2.4
Huntingdon	16.8	-3.4	12.0	3.0
Indiana	31.6	-1.9	11.2	2.9
Jefferson	18.3	-0.5	8.9	1.9
Juniata	9.0	0.0	10.9	0.2
Lackawanna	101.5	-1.6	8.3	1.9
Lancaster	217.4	-1.8	5.3	1.6
Lawrence	44.6	-3.5	7.1	1.8
Lebanon	61.5	-0.6	6.3	1.9
Lehigh	143.6	0.0	6.9	1.9
Luzerne	147.6	-1.6	8.8	2.2
Lycoming	54.8	-2.0	8.5	1.8
McKean	19.4	-4.0	8.5	1.8
Mercer	49.0	-1.2	7.2	1.7
Mifflin	19.7	0.5	11.9	4.1
Monroe	45.9	-1.5	9.2	2.8
Montgomery	370.7	-1.5	5.1	1.7
Montour	7.6	-1.3	6.2	1.4
Northampton	112.5	0.0	6.9	1.5
Northumberland	44.2	-2.0	10.1	1.8
Perry	19.9	-0.5	7.5	2.5
Philadelphia	681.1	-1.5	8.3	2.5
Pike	12.2	-2.4	9.1	3.5
Potter	7.5	-5.1	8.9	2.3
Schuylkill	66.0	-4.5	10.0	2.9
Snyder	17.6	-2.2	7.0	1.5
Somerset	30.2	-0.3	9.0	1.8
Sullivan	2.8	-9.7	10.4	5.8
Susquehanna	16.3	-1.8	9.3	1.8
Tioga	17.2	-3.4	8.0	1.6
Union	15.8	-2.5	8.2	3.2
Venango	23.5	-4.9	8.0	2.6
Warren	21.1	-2.3	6.9	2.1
Washington	88.4	-0.8	7.0	1.9
Wayne	18.8	-2.6	8.9	3.2
Westmoreland	166.0	-0.8	6.9	1.6
Wyoming	12.4	-1.6	8.0	2.2
York	173.8	-0.7	6.5	1.6

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.
*Current rate minus year-ago rate.

May to 6.7 percent. Still this was up considerably from the previous June's 4.8 percent tally. Given employment/unemployment trends for July, the first bit of economic data available for that month, **it is perhaps best to characterize the Pennsylvania labor market as being in a holding pattern, with no real indication of upward or downward pressures.** Second quarter jobless rates were up from a year ago in each of Pennsylvania's 67 counties while employment was off in all but eight counties.

Philadelphia and Pittsburgh metropolitan area retail sales (millions of dollars; pct. chg. from year ago; data through May.)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	13,450	-3.9	5,651	0.3
Durables	4,550	-10.0	1,620	-9.8
Bldg. mat.	468	-14.9	197	-2.0
Auto dlrs.	2,854	3.3	839	-13.3
Furniture	635	-19.5	224	8.7
Other	593	-37.7	360	-14.5
Nondurables	8,900	-0.4	4,031	5.1
Gen. mdse.	1,241	-1.6	663	-0.6
Food/grocery	3,077	3.5	1062	7.1
Gas	743	6.6	425	0.5
Apparel	792	-2.8	383	18.9
Eat/drink	1,409	-8.1	675	-10.4
Drugs	674	7.2	398	7.9
Other	964	-6.5	425	36.7

Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
May	46,837	-13.4
1991 YTD	209,046	-18.3
12-month total	565,691	-12.2

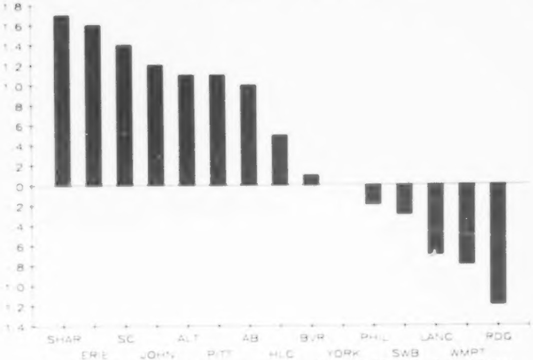
Source: R.L. Polk & Co.

1991 second quarter Consumer Price Index trends: Philadelphia[1] and Pittsburgh[2] areas

	1991:IIQ CPI (1982-84 = 100)	Pct. chg. from previous qtr.	Pct. chg. from year-ago qtr.
Philadelphia (All items)	141.3	0.5	4.9
Food and beverages	136.0	0.7	4.3
Housing	144.6	0.6	5.3
Apparel and upkeep	103.5	-0.7	-2.6
Transportation	130.5	-0.7	4.0
Medical care	181.3	2.0	9.7
Entertainment	139.0	3.9	4.7
Other goods and services	182.6	-0.3	9.3
Special indexes:			
Energy	107.9	0.9	5.0
Services	161.2	0.6	5.5
Pittsburgh (All items)	130.5	0.9	4.4
Food and beverages	129.4	0.5	4.2
Housing	130.8	1.6	5.7
Apparel and upkeep	128.2	1.8	3.9
Transportation	111.3	-1.5	2.3
Medical care	173.3	2.6	8.7
Entertainment	143.2	2.6	2.9
Other goods and services	152.5	0.8	2.3
Special indexes:			
Energy	113.0	1.0	8.4
Services	138.4	1.1	4.8

1 Includes counties in PA, DE, NJ, and MD
2 Includes Allegheny, Fayette, Washington, Westmoreland, and Beaver Counties.
Source: U.S. Dept. of Labor; PSU, Ctr. for Reg. Bus. Analysis

Increases in consumer prices moderated considerably in the second quarter. At 4.9 percent, the annual increase in the Consumer Price Index in the Philadelphia region was considerably less than first quarter's 6.3 percent rise. In the Pittsburgh/Beaver County metro area, the 4.4 percent increase in the most recent three months represented some easing from the 4.8 percent rise in the previous quarter.


METRO AREA JOB GROWTH DURING THE RECESSION
(annual percent change)

SOURCE: PA DEPT. OF LABOR AND INDUSTRY, PSU, CTR. FOR REG. BUS. ANALYSIS

ANNOUNCING...

The Center for Regional Business Analysis has published an extensive catalog of each of the data series presented in the *Survey*. The *Pennsylvania Business Survey: A Data Guide* is designed to:

- Evaluate the contributions of each of the data series used in the *PBS* to an overall assessment of the Pennsylvania economy's performance — What do these individual series tell us about the economy?;
- Highlight historical trends in selected data series; and
- Provide complete documentation of the data used in the *Survey* — release and revision schedules, sources, geographical coverage, etc.

The *Data Guide* will be revised on an annual basis, around mid-year, to include new data items and to update the historical trends in individual series to take into account the most recent data available. To order this new catalog, please write to: *The Pennsylvania State University, The Smeal College of Business Administration, Center for Regional Business Analysis, 108 Business Administration Building II, University Park, PA 16802*. Please enclose a $5 check made payable to: "The Pennsylvania State University."

Around the State

Northeastern Quarter

Allentown-Bethlehem

The generally sluggish state of the economy in the Allentown-Bethlehem metropolitan area in the second quarter was evident in labor market trends. In the three Pennsylvania counties which are included in the region — Carbon, Lehigh, and Northampton — employment was unchanged from a year ago. Jobless rates ranged from 6.9 percent in Lehigh and Northampton Counties to 10.4 percent in Carbon. For the region as a whole, second quarter's 7.1 percent jobless rate was the highest for the period since 1986. On the plus side, while employment has reached a plateau, it settled at or near an all-time high on the heels of several consecutive years of gains.

Allentown-Bethlehem Area[1]

	Ave. mo. value 2 Q. '91	Average monthly index seas. adj. (1977 = 100) 2 Q. '91	 1 Q. '91	 2 Q. '90
Employment *(in thousands)*				
Employed, no. of residents	319.1	116	114	116
Unemployed, no. of residents	24.3	120	114	88
Rate, seasonally adjusted	7.2			
Civilian labor force, no. of residents	343.4	116	114	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	290.8	113	113	112
Srv. Prod. only, no. of jobs	203.8	145	146	143
Goods Prod. only, no. of jobs	87.0	74	75	75
Hrs. worked by production workers in mfg., ave. weekly	39.6	104	103	103
Industrial electric power sales				
Metropolitan area	...	100	97	104
Allentown	...	92	86	94
Bethlehem	...	104	104	108
Easton	...	113	109	118
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	97.5	−14		
Nonresidential contracts only	105.5	−40		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Even the service producing sector has not been immune to the impacts of the national recession. After adjustment for normal seasonal variation, job levels in these establishments have held essentially steady over the course of 1991. Again, this measure of the economy's health has topped out at a record-high. Compared to a year ago, second quarter's 203,800 service producing jobs were up by 3,100.

Leading the way was services, itself, with 2,300 additional positions. Within this category, the health services industry accounted for 1,200 new jobs. Retail trade was home to 600 additional payroll positions in the second quarter. While this was less than one-half the annual gain averaged between 1983 and 1990, the retail trade sector in northeastern Pennsylvania appears to have weathered the recession slightly better than in the State as a whole.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 2 Q. '91	Average monthly index seas. adj. (1977 = 100) 2 Q. '91	 1 Q. '91	 2 Q. '90
Employment *(in thousands)*				
Employed, no. of residents	336.7	119	118	121
Unemployed, no. of residents	31.8	104	96	77
Rate, seasonally adjusted	8.9			
Civilian labor force, no. of residents	368.5	117	116	116
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	306.1	117	118	118
Srv. Prod. only, no. of jobs	225.2	138	139	138
Goods Prod. only, no. of jobs	80.9	82	84	86
Hrs. worked by production workers in mfg., ave. weekly	39.0	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	120	117	121
Lackawanna County[2]	...	135	129	133
Luzerne County[3]	...	116	108	112
Hazleton	...	124	116	123
Wilkes-Barre	...	106	98	101
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	111.0	−20		
Nonresidential contracts only	148.1	+79		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Once again, the economy's weakness appears concentrated in the goods producing sector where job levels have been eroding since 1988. So far this year, manufacturing jobs are off by an additional 200 from a year ago in averaging 73,900 on a monthly basis. The durable goods side was home to the largest job losses. In fact, job levels in the region's nondurable goods factories have eased forward through the first half of this year. On the construction side, softness was evident for both residential and nonresidential activity during the year's first six months. Both permit activity and the value of contracts awarded were off from year-ago tallies. Job levels were off by 500 on a year-to-date basis.

All things considered, the Allentown-Bethlehem area economy has been generally unimpressive in recent months, but not any more than in the State as a whole. In fact, relative to much of the rest of Pennsylvania, the metro area's economy has turned in an essentially average performance. For instance, during the course of this recession, nonfarm job growth in the region was exceeded by six of the State's 15 metro areas and was stronger than in eight other regions.

Scranton-Wilkes-Barre

The five-county economy of the Scranton-Wilkes-Barre metropolitan area remained weak during the April-June period. One must look hard and long to find signs of strength anywhere in the economy. The best that can be said is that the worst of this recession is probably over. The coming recovery, however, will be far from impressive. All indications at the national level are for a weak rebound, a trend which will surely steer the course of the metro area's performance in coming months.

Over the course of the current recession, stretching back to approximately August 1990, job growth in the region has been weak. On an annual basis, jobs have declined 0.3 percent during the slump. Only three of the State's 14 other metro areas turned in weaker performances. At 306,100 in the second quarter, nonfarm job totals were off by 3,300 from a year ago. This represents the third consecutive quarter of year-over-year decline. The goods producing sector was, once again, the culprit. Seasonally adjusted job readings in these industries have been trending down since 1989. Additionally, job levels have been at all-time lows since the third quarter of last year.

Construction has been hard-hit by the economic slump. Job levels during the first half of this year were off by 700 from a year ago. Residential contract valuations were down one-fifth. However, nonresidential valuations surged 79 percent. This category is subject to considerable volatility. The region's largest manufacturer, apparel and textiles, was home to 1,000 fewer jobs during the first six months of this year compared to the same period in 1990. Other major factory employers — printing and publishing and fabricated metals — also saw shrinking job levels. A relatively flat trend in electricity sales to industry during the past several months suggests that production levels were probably stagnant during the period.

The news is considerably better on the service producing side, though the second quarter did bring with it the first seasonally adjusted decline in job levels since the final three months of 1982. Despite the quarterly decline, the 225,200 positions in these establishments in the second quarter represented a gain of 600 from a year ago. So far this year, service producing jobs have grown 0.8 percent, in line with the Commonwealth's advance. This is only one-fourth of the annual gain averaged over the 1982-1990 period.

Not surprisingly, employment/unemployment trends have worsened considerably of late. So far this year, employment declined by 7,400. Given a decline of 700 in the labor force, this translated into a gain of 6,700 in the number of residents officially listed among the jobless. On a seasonally adjusted basis, the region's jobless rate has been trending upward since first quarter 1989. The most recent quarter's 8.9 percent tally was the highest in five years.

Williamsport

The Lycoming County economy remained in the grips of recession during this year's second quarter. At 54,800, the number of residents listed as employed were down 2 percent from a year ago while the jobless rate, at 8.5 percent, was up 1.8 percentage points over the same period. Statewide, employment was 1.4 percent below year-ago readings and the jobless rate settled at 7 percent. The current recession has apparently been especially hard on the Williamsport region as nonfarm job levels were off at an annual rate of 0.8 percent during the first ten months of the slump. Only one other metro area, Reading, turned in a worse showing.

Even trends in the once-vibrant service producing sector have softened of late. The 32,600 jobs housed in these establishments during the second quarter were down by 600 from the same three months in 1990. This represented the fourth year-over-year shortfall in the past five quarters. Prior to that, service-type jobs had increased practically nonstop between 1983 and mid-1989. Job levels during the first half of the year were off from a year ago, or held steady, in each of the five private sector industries monitored — transportation/public utilities, wholesale trade, retail trade, finance-related, and services.

As is the situation elsewhere in the Commonwealth, the situation in goods producing industries was even worse. Here, job trends have been worrisome since 1988. Construction activity was apparently soft in the first half of the year as contract valuations were down, especially on the nonresidential side. Factory trends were also weak. A plateauing in industrial power sales suggests that manufacturing production has topped out. The first six months of 1991 resulted in the elimination of 400 additional factory jobs.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q. '91	*2 Q. '91*	*1 Q. '91*	*2 Q. '90*
Employment *(in thousands)*				
Employed, no. of residents	54.8	117	117	119
Unemployed, no. of residents	5.1	114	109	92
Rate, seasonally adjusted	8.8			
Civilian labor force, no. of residents	59.9	117	116	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.8	110	112	111
Srv. Prod. only, no. of jobs	32.6	121	125	124
Goods Prod. only, no. of jobs	18.1	94	95	94
Hrs. worked by production workers in mfg., ave. weekly	40.7	105	104	100
Industrial electric power sales	* * *	139	121	132
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.0	– 3		
Nonresidential contracts only	4.5	–57		

[1] Lycoming County

Southwestern Quarter

Altoona

As is typically the case during recessionary periods, Blair County's goods producing industries have fared poorly during the current slump. Job levels in these industries have been trending down since the second quarter of 1990. On a seasonally adjusted basis, job totals during this year's April-June period were off by 700 from the first three months of 1990. So far this year, durable goods jobs were off by 500 from a year ago while the number of positions in nondurable goods establishments actually rose by 200. Construction activity also weakened as job levels eased during the first half of the year and the value of contract awards declined.

Some signs of weakness were also evident in the metro area's service producing industries in recent months. Seasonally adjusted job readings in June were down by 1,000 from the first of the year. June also resulted in the first year-over-year decline since July 1983. Specifically, the 41,000 jobs in these establishments during the month fell 400 short of a year ago.

Labor market trends have also deteriorated in conjunction with the overall economy. The 56,900 residents officially counted among the employed during the second quarter were down 1.9 percent from a year ago while the jobless rate, at 9.6 percent, was up by more than 3 percentage points. Seasonally adjusted unemployment rates have been trending upward since the early stages of 1989. Clearly, there is no denying that the recession has brought several years of continuous economic growth to an end. However, the results have not been catastrophic. Blair County is likely to come out of this recession in much better shape than when it emerged from the early 1980s slumps.

Johnstown

Employment and unemployment trends during the second quarter in the Johnstown metro area provide ample evidence of the national recession's impact on the region's economy. Relative to a year ago, resident employment was off 0.3 percent in both Cambria and Somerset Counties with second quarter employment levels of 59,400 and 30,200, respectively. At 9.5 percent, Cambria County's jobless rate stood 2.3 percentage points higher than the year-ago tally. Somerset County's 9 percent rate came in 1.8 points above a year ago. Both unemployment rates came in well above the State's 7 percent reading.

The region's service producing industries have displayed signs of softening this year after eight years of nearly constant growth. While second quarter's 62,500 jobs in these establishments remained slightly (by 100) above a year ago, seasonally adjusted readings have trended downward since peaking last December. Within this broad sector, retail trade jobs were up 1.4 percent during the first half of the year after a 1983-1990 period during which growth averaged 3.1 percent. In services, itself, job growth so far this year, at 2.4 percent, fell well short of the 3.5 percent average gain from the previous seven years.

Altoona Area[1]

	Ave. mo. value *2 Q. '91*	Average monthly index seas. adj. (1977 = 100) *2 Q. '91*	 *1 Q. '91*	 *2 Q. '90*
Employment *(in thousands)*				
Employed, no. of residents	56.9	108	108	111
Unemployed, no. of residents	6.0	161	142	110
Rate, seasonally adjusted	10.0			
Civilian labor force, no. of residents	62.9	112	110	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	54.3	105	107	106
Srv. Prod. only, no. of jobs	41.1	114	116	114
Goods Prod. only, no. of jobs	13.1	85	86	87
Hrs. worked by production workers in mfg., ave. weekly	39.3	104	102	101
Industrial electric power sales	***	75	72	79
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.4	−12		
Nonresidential contracts only	15.6	−37		

[1] Blair County

Johnstown Area[1]

	Ave. mo. value *2 Q. '91*	Average monthly index seas. adj. (1977 = 100) *2 Q. '91*	 *1 Q. '91*	 *2 Q. '90*
Employment *(in thousands)*				
Employed, no. of residents	89.6	93	93	94
Unemployed, no. of residents	9.2	89	87	69
Rate, seasonally adjusted	9.6			
Civilian labor force, no. of residents	98.8	93	92	91
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	82.9	94	95	94
Srv. Prod. only, no. of jobs	62.5	114	116	114
Goods Prod. only, no. of jobs	20.4	61	61	61
Hrs. worked by production workers in mfg., ave. weekly	39.2	101	100	98
Industrial electric power sales	***	135	141	164
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	14.6	+ 9		
Nonresidential contracts only	27.7	+56		

[1] Cambria and Somerset Counties

Relatively speaking, the goods producing sector may be considered a bright spot in the region. Statewide, jobs in these industries have been trending down of late. While not growing strongly in the Johnstown region, the number of positions in these industries have been holding essentially steady. Construction jobs were up by 200 in this year's first half in averaging 3,100 per month. Contract awards were up for both residential and nonresidential projects. Although electricity sales to industry, a proxy for production activity, have been trending down, factory jobs have inched forward so far this year to stand at 14,400 and the average workweek, a leading indicator of manufacturing hiring activity, has been creeping higher.

So, there do appear to be some bright spots in the midst of this recession. Indeed, compared to much of the rest of the State, the region has held up fairly well. Over the course of the downturn, nonfarm job growth in the area has been surpassed by only three of the 14 other metro ares in the State. A possible reason for this may be the fact that the economy in the region was not expanding quite as rapidly prior to the onset of this recession as many of its neighbors', especially those to the east, were. Hence, when the recession hit, Johnstown simply did not have as much room to fall.

Pittsburgh-Beaver Valley

There were few bright spots in the second quarter in this five-county region of southwestern Pennsylvania. The region continued to struggle to, at best, hold its own in the face of the national recession. In all likelihood, the metro area lost further ground during the recent three-month period. For instance, each of the five counties were home to resident employment declines compared to the second quarter of 1990. In the four-county Pittsburgh portion of the region, the downtrend in employment evident so far this year is the first since 1983. Jobless rates in the second quarter ranged from 5.3 percent in Allegheny County to 9.4 percent in Beaver and Fayette Counties. The latter two maintained rates well in excess of the Commonwealth's 7 percent reading. Washington and Westmoreland had jobless rates pretty much in line with the Statewide average.

During the course of the 1980s, the service producing sector provided the bulk of all new jobs in the region. However, some softness has been evident in these industries in recent months. At 755,600 in the Pittsburgh portion of the region, service producing job totals in the second quarter were 1,400 above a year ago, the smallest year-over-year gain since the same three months in 1983. Additionally, seasonally adjusted second quarter job readings were off from the previous three

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value *2 Q. '91*	Average monthly index seas. adj. (1977 = 100) *2 Q. '91*	 *1 Q. '91*	 *2 Q. '90*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	941.3	108	107	109
Beaver County	54.9	64	64	65
Unemployed, no. of residents				
Pittsburgh[1]	59.7	95	88	72
Beaver County	5.7	89	90	70
Unemployment Rate, seas. adj.				
Pittsburgh[1]	6.1			
Beaver County	9.7			
Civilian labor force, no. of residents				
Pittsburgh[1]	1,001.0	107	106	106
Beaver County	60.5	66	65	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	919.7	105	106	106
Beaver County	50.5	66	67	66
Srv. Prod. only, no. of jobs				
Pittsburgh[1]	755.6	126	127	126
Beaver County	39.1	114	115	113
Goods Prod. only, no. of jobs				
Pittsburgh[1]	162.7	60	61	61
Beaver County	11.3	27	28	28
Hrs. worked by production workers in mfg., ave. weekly				
Pittsburgh[1]	41.0	n.a.	n.a.	n.a.
Beaver County	43.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	60	59	63
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	222.2	− 13		
Beaver County	14.6	− 7		
Nonresidential contracts only				
Pittsburgh[1]	464.7	+ 45		
Beaver County	28.2	+370		

[1] 1Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

months. In Beaver County, the 39,100 service producing jobs were up by a minimal 100 from the April-June 1990 period. On a seasonally adjusted basis, job tallies have declined in three of the past four months. Still, second quarter job readings throughout the five-county area were the highest for the period on record.

Retail sales activity was apparently sluggish through the first five months of the year in rising just 0.3 percent from the same period in 1990. Given the rise in the general price level, this translated into a decline in "real" or inflation-adjusted sales. As is the case Statewide, declines on the durable goods side offset modest gains in nondurables sales.

The goods producing sector continued to struggle throughout the region in the first half of the year. In Beaver County, job levels remained at record-low readings in falling by 400 from the first half of 1990. Through the first six months of the year, jobs in these industries have averaged 11,200. In Pittsburgh, the 160,900 goods producing jobs during the year's first six months fell 3,500 short of a year ago. Job levels in this portion of the region also stand at or near record-low readings. Sales of electricity to industrial customers have held steady since 1988, suggesting a flat trend for factory production.

Residential construction activity was weak during the first half of the year as all five counties registered declines in permit authorizations. Both the Pittsburgh and Beaver County portions of the region were home to declines in the value of residential construction contract awards, though the very volatile nonresidential valuations jumped ahead sharply.

Clearly, recent trends point to an overall flat economy in southwestern Pennsylvania. The future is likely to bring some relief as the national economy is showing signs of emerging from its slump--a basic prerequisite for improving conditions in the Pittsburgh-Beaver Valley area. However, the consensus is for a relatively mild recovery. Indeed, some individuals and industries may not be able to tell the difference between the early stages of recovery and the final stages of recession. It is quite safe to say that the solid showing on the part of much of southwestern Pennsylvania in the 1980s is not likely to be repeated in the short-term.

State College

Typically, goods producing industries are the hardest hit during recessionary periods, and this is the case in Centre County during the current downturn. At 11,300, second quarter job levels in these industries were down a startling 600 from a year ago. The loss was apparently not accounted for by any single industry as construction and manufacturing (especially durables) have reduced payrolls relative to a year ago. On a seasonally adjusted basis, second quarter's job tally was the lowest since the final months of 1988. Despite a jump in contract valuations on the nonresidential side, a decline in residential valuations on top of the reduction in building-related jobs relative to a year ago suggests that construction activity remained weak.

Job levels in the service producing sector continued on the upswing in the second quarter. After seasonal adjustment, the 49,400 jobs housed in these industries represented the second highest tally on record, trailing only last year's fourth quarter. Growth has moderated, however. Between 1983 and 1990, job growth averaged 4 percent on an annual basis. Through the first half of this year, jobs were up just 1 percent from the same period in 1990. Retail trade, with 600 new positions, accounted for the bulk of all new jobs.

State College Area[1]

	Ave. mo. value *2 Q '91*	Average monthly index seas. adj. (1977 = 100) *2 Q '91*	*1 Q '91*	*2 Q '90*
Employment *(in thousands)*				
Employed, no. of residents	63.6	152	149	153
Unemployed, no. of residents	4.2	152	149	126
Rate, seasonally adjusted	6.4			
Civilian labor force, no. of residents	67.8	152	149	151
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	60.7	142	142	142
Srv. Prod. only, no. of jobs	49.4	145	143	143
Goods Prod. only, no. of jobs	11.3	132	137	139
Hrs. worked by production workers in mfg., ave. weekly	38.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	145	138	144
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	22.9	-19		
Nonresidential contracts only	28.2	+62		

[1] Centre County

The national recession's impact on the regional economy has been especially evident in recent labor market trends. There were 1,000 fewer residents counted among the employed during the first half of this year relative to a year ago. All told, employment has averaged 62,700 this year. Coupled with a decline in the labor force of 200, this translated into a rise of 700, to 4,300, in the number of unemployed. Second quarter's seasonally adjusted 6.4 percent unemployment rate was the highest reading in five years. While economic growth and activity has slowed in Centre County, the region has held up quite well. In fact, the metro area's nonfarm job growth during the current recession has been surpassed by only two of the 14 other metro areas in the State.

Northwestern Quarter

Erie

A look at a wide range of indicators suggests that the Erie County economy moved sideways during the first half of the year as opposed to up or down. For instance, seasonally adjusted employment readings fluctuated within a very narrow band in recent months. However, employment was off slightly from year-ago tallies after seven years of nearly continuous growth. At a seasonally adjusted 7 percent, the County's second quarter jobless rate was slightly below the Commonwealth's 7.2 percent. On the downside, this was up 1.8 percentage points from a year ago.

All things considered, the flat trend evident in the metro area's economy is somewhat encouraging next to the downtrend evident throughout much of the rest of the State. In fact, nonfarm jobs have grown at an annual rate of 1.6 percent during the current recession, the second highest among the State's 15 metropolitan regions. One reason for this may have been that the region's goods producing industries, until a few months ago, were turning in a relatively strong performance. Second quarter's 39,400 jobs in these establishments came in 900 below a year ago following 15 consecutive quarters of year-over-year gains. Construction apparently held up quite well as the first half brought with it a gain of 23 percent in the value of both residential and nonresidential contract awards while the number of building-related jobs held steady.

Some evidence of a slowdown in service producing job growth was also apparent in recent months. Seasonally adjusted job readings declined in three of the past five months. Still, the jobs have averaged 80,500 so far this year, up by 1,200 from 1990. The services industry, itself, has accounted for practically all of these new positions. Health services alone accounted for 600 new payroll positions.

Recent months probably represented the start of a generally sluggish period for the Erie County economy. Even though the U.S. economy may technically be in the very early stages of a recovery period, the consensus is that the upturn will be minimal. Such a trend will certainly limit economic growth and activity in the Erie metro area in the months ahead.

Sharon

While Mercer County's economy has held up quite well relative to much of the rest of the State over the course of this recession, several months of sluggishness have apparently taken their toll. At 44,300 in the second quarter, total nonfarm jobs dipped below year-ago readings for the first time in four years, albeit by a minimal 100. Job levels still came in well below readings from the late 1970s and early 1980s. Despite the recent dropoff, establishment job growth during the current slump has been the strongest among the State's metropolitan areas.

Job growth in the region's goods and service producing establishments has shown signs of abating in recent months. Seasonally adjusted job readings in the latter have declined in each of the past four months. Second quarter's 31,300 positions in these establishments were unchanged from a year ago. Between 1983 and 1990, gains averaged 1.7 percent on an annual basis. Goods producing job totals have actually come in below a year ago through the first half of this year on the heels of three consecutive years of growth. Second quarter's 13,000 positions were 100 below the year-ago figure. Electricity sales to industrial customers were relatively flat in recent months, suggesting that manufacturing production probably reached a plateau.

Resident employment grew nonstop for seven years before declining by 600 during this year's first half in averaging 48,400. Upward pressure on unemployment has been the result. After averaging 5.7 percent during the first half of 1990, the jobless rate has surged to 7.5 percent during the first six months of 1991. As a result, 1991 is likely to bring with it the second consecutive annual rise in this measure of the economy's health, though this recession will surely end before the double-digit jobless rates associated with the previous downturns in the early 1980s are even begun to be approached.

Erie Area[1]

	Ave. mo. value 2 Q. '91	Average monthly index seas. adj. (1977 = 100) 2 Q. '91	1 Q. '91	2 Q. '90
Employment *(in thousands)*				
Employed, no. of residents	126.4	114	113	114
Unemployed, no. of residents	9.5	103	97	75
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	135.9	113	112	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	120.0	109	110	109
Srv. Prod. only, no. of jobs	80.5	125	127	125
Goods Prod. only, no. of jobs	39.4	86	87	88
Hrs. worked by production workers in mfg., ave. weekly	41.6	102	104	105
Industrial electric power sales	***	105	103	120
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	37.7	+23		
Nonresidential contracts only	42.2	+23		

[1] Erie County

Sharon Area[1]

	Ave. mo. value 2 Q. '91	Average monthly index seas. adj. (1977 = 100) 2 Q. '91	1 Q. '91	2 Q. '90
Employment *(in thousands)*				
Employed, no. of residents	49.0	102	101	103
Unemployed, no. of residents	3.8	96	89	73
Rate, seasonally adjusted	7.3			
Civilian labor force, no. of residents	52.8	101	100	100
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.3	97	98	97
Srv. Prod. only, no. of jobs	31.3	114	115	114
Goods Prod. only, no. of jobs	13.0	72	73	73
Hrs. worked by production workers in mfg., ave. weekly	41.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	116	109	108
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	7.3	−19		
Nonresidential contracts only	3.2	−73		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Labor market conditions in the Harrisburg-Lebanon-Carlisle region suggest that economic growth has slowed throughout the area in response to the national recession. Second quarter employment readings were down in each of the four counties from a year ago as shortfalls ranged from 0.5 to 0.7 percent. In the region as a whole, the 317,000 residents officially listed among the employed were down by 2,100 on an annual basis. Cumberland (4.7 percent), Dauphin (5.5 percent), and Lebanon (6.3 percent) Counties were each home to jobless rates below the State's 7 percent average in the second quarter. Perry County's rate, at 7.5 percent, was slightly higher. Rates were up considerably from a year ago in each of the four counties.

For the first time since second quarter 1983, nonfarm jobs fell below year-ago totals in the most recent three-month period. The 315,300 jobs maintained in these establishments translated into a drop of 300 from a year ago. Additionally, after being amongst the leaders in most measures of economic growth in the 1980s, recent nonfarm job growth trends place the metro area in the middle of the pack relative to the other 14 metropolitan areas. Annual job growth during the current recession, at 0.5 percent in the region, exceeded gains in seven other metro areas and it was surpassed by an equal number of areas.

As is typically the case, goods producers have been especially hard-hit during the on-going downturn. Job levels in these industries have been trending down since mid-1988. Second quarter's 61,100 workers in these establishments were off by 3,300 from the same period a year earlier. On a seasonally adjusted basis, recent job readings were their lowest in nearly eight years. On the construction front, job levels during the first half of the year were off by 400 from the first six months of 1990. Trends in contract valuations were mixed. They were down on the nonresidential side during the year's first half but up for residential projects.

Even the region's service producers have not been immune from this recession of late. Although the 254,100 jobs in these establishments were a high for the second quarter, seasonally adjusted trends showed a decline from the first quarter tally, the first since the third quarter of 1982. Retail trade accounted for a good deal of the sluggishness. After averaging 51,100 during the first half of 1990, average monthly job levels were down to 50,300 this year.

The next few months are likely to bring more of the same general sluggishness evident during the first half of the year. With weakness still evident in factory activity, construction, and retail trade, none of the industries which often lead the economy out of recession at a rapid pace seem capable of doing so this time around.

Lancaster

Recent trends suggest that, at least for the time-being, Lancaster County is not the Commonwealth's "economic hotspot" as was the case during the 1980s. In fact, the first ten months of this recession have resulted in a 0.7 percent decline in the number of nonfarm jobs in the region. Only two other metro areas turned in poorer showings. At 192,300, second quarter nonagricultural job totals were off by 2,900 from a year ago, the third consecutive year-over-year decline, stretching back to the final three months of last year.

Job trends through the first half of this year were weak across the board. Second quarter service producing job totals were unchanged from a year ago. During the same period, seasonally adjusted job readings declined for the second time in the past four quarters. Through the first half of the year, jobs in these industries have averaged 123,100, a 0.5 percent gain from a year ago. Between 1983 and 1990, job growth averaged more than eight times that amount.

Jobs in the region's goods producing establishments remained in the grips of a two-year decline following several years of fairly impressive advances. At 67,900, job totals in the second quarter were off by 2,900 from a year ago. This represented the lowest reading for the quarter in six years. Construction activity was down as job levels were off by 400 during the first six months of the year relative to 1990 and the value of contract awards declined on both the residential and nonresidential sides. Factory activity, at best, was flat in recent months. Job levels were off considerably from year-ago readings while electricity sales to industry have moved very little in recent months. A downtrend in the average factory workweek suggested that hiring activity is not likely to pick up soon.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q. '91	*2 Q. '91*	*1 Q. '91*	*2 Q. '90*
Employment *(in thousands)*				
Employed, no. of residents	317.0	126	124	127
Unemployed, no. of residents	18.6	124	116	89
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	335.6	126	124	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	315.3	127	128	128
Srv. Prod. only, no. of jobs	254.1	139	140	138
Goods Prod. only, no. of jobs	61.1	94	96	99
Hrs. worked by production workers in mfg., ave. weekly	38.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	75	76	75
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	126.2	+13		
Nonresidential contracts only	133.1	−40		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q. '91	*2 Q. '91*	*1 Q. '91*	*2 Q. '90*
Employment *(in thousands)*				
Employed, no. of residents	217.4	138	135	140
Unemployed, no. of residents	12.2	144	153	102
Rate, seasonally adjusted	5.5			
Civilian labor force, no. of residents	229.6	138	136	138
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	192.3	135	136	137
Srv. Prod. only, no. of jobs	124.4	160	160	160
Goods Prod. only, no. of jobs	67.9	105	107	110
Hrs. worked by production workers in mfg., ave. weekly	39.0	99	98	101
Industrial electric power sales	***	142	137	143
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	92.0	−15		
Nonresidential contracts only	54.9	−63		

[1] Lancaster County

Although only three counties were home to second quarter jobless rates lower than Lancaster's 5.3 percent (unadjusted), there were considerable signs of deterioration in the region's labor market in recent months. Second quarter's reading was up 1.6 percentage points from a year ago. In absolute terms, 3,600 more residents were counted among the unemployed during the most recent three-month period compared to a year ago. Employment, which had been rising nonstop since 1983, has averaged 213,100 so far this year, down by 6,000 from 1990.

Philadelphia

Signs of strength in the Philadelphia metro area economy were few and far between during this year's second quarter. Practically every major economic indicator pointed down during the period. What is especially worrisome is the fact that signs of weakness were evident across all major industry groups and throughout the entire region, including the suburban counties. This represents a complete reversal from the mid- and late-1980s when the region, especially in the suburban fringes, was moving forward at a rapid pace.

Much of the region's difficulties continue to be found in the goods producing sector where job levels have been tracking down since mid-1988. In fact, after seasonal adjustment, the 429,400 positions in these establishments during the second quarter represented the lowest reading on record — even lower than in the early 1980s. Both factory and construction activity were weak in recent months. Manufacturing jobs plunged at an annual rate of nearly 18,000 during the first half of the year to go alongside flat trends in the average

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '91	*2 Q '91*	*1 Q '91*	*2 Q '90*
Employment *(in thousands)*				
Employed, no. of residents	2,307.8	122	121	124
Unemployed, no. of residents	162.8	92	85	61
Rate, seasonally adjusted	6.7			
Civilian labor force, no. of residents	2,470.6	120	118	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,204.4	120	121	122
Srv. Prod. only, no. of jobs	1,775.0	134	135	134
Goods Prod. only, no. of jobs	429.4	84	85	88
Hrs. worked by production workers in mfg., ave. weekly	39.9	101	101	101
Industrial electric power sales	***	115	106	111
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	474.9	-23		
Nonresidential contracts only	858.9	- 4		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

hourly workweek and electricity sales to industry. The value of construction contract awards fell for both residential and nonresidential projects while the number of new projects authorized by permit also fell on both fronts.

Service producing job levels have been on the downtrend since late last year after several years of uninterrupted growth. In fact, June readings dipped below year-ago levels for the first time since the early 1980s. Still, despite the slowdown of late, service producing job levels, in averaging 1,772,000 during the first half of 1991, were up 9,800 from a year ago. This came on the heels of a 1983-1990 period in which jobs grew by an annual rate of nearly 45,000 per year.

Retail activity in the region has not held up well during this recession. These industries trimmed 2,100 jobs from payrolls between the first halves of 1990 and 1991. Even before adjustment for inflation, the value of retail sales in the metro area was down from a year ago through the first five months of the year. In coming in at $13.5 billion, sales were off 3.9 percent on a year-to-date basis. Especially large declines were evident in sales of durable goods items.

Employment and unemployment conditions have been weak throughout the region. Each of the five Pennsylvania counties contained in the metro area were home to declines in resident employment between the second quarters of 1990 and 1991. Increases in jobless rates ranged from 1.5 percentage points in Chester County to 3.2 points in Bucks County. For the region as a whole, the number of residents officially listed as employed were down 1.9 percent during the first half of the year relative to the same period in 1990, identical to the Statewide decline. 1991 will likely result in the second consecutive employment decline after seven years of continuous growth.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '91	*2 Q '91*	*1 Q '91*	*2 Q '90*
Employment *(in thousands)*				
Employed, no. of residents	164.5	122	119	124
Unemployed, no. of residents	12.7	138	139	93
Rate, seasonally adjusted	6.9			
Civilian labor force, no. of residents	177.2	123	120	122
Local industries *(n thousands)*				
All nonagricultural ind., no. of wage and salary jobs	152.8	116	116	118
Srv. Prod. only, no. of jobs	101.8	133	133	132
Goods Prod. only, no. of jobs	50.8	92	92	98
Hrs. worked by production workers in mfg., ave. weekly	40.3	104	102	104
Industrial electric power sales	***	140	137	142
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	61.0	+ 1		
Nonresidential contracts only	65.5	+47		

[1] Berks County

Expectations are for economic conditions to remain sluggish in the months ahead. Even if the national economy is in the very early stages of recovery, as many believe, the uptick is likely to be minimal. Indeed, there has been increasing talk of a "double-dip" scenario in recent weeks in which two recessions are sandwiched around a very weak recovery. That is probably a worst-case outcome, but even the best-case scenario finds the economy growing at a below-average pace relative to previous recoveries in southeastern Pennsylvania.

Reading

Signs of economic weakness were widespread in the Reading metro area in recent months. This was especially true with respect to employment/unemployment trends. In averaging 162,200 during the first half of the year, resident employment was down by 5,300 from a year ago. Coupled with a decline of 1,600 in the labor force, this resulted in a rise in the number of residents officially listed among the unemployed of 3,700. All told, 1991's jobless rate has averaged 7.4 percent, up from 5.2 percent during the first half of 1990.

Recent trends in nonfarm jobs suggest that the economy's performance has been quite weak relative to much of the rest of the State. During the first ten months of the recession, nonfarm jobs declined at an annual rate of 1.2 percent, the worst showing on the part of any metro area in the Commonwealth. Even trends in the once-thriving service producing sector have taken a turn for the worse. Seasonally adjusted job readings dipped slightly in the second quarter from the first three months of the year, the second decline in the last four quarters. The 101,800 jobs in these industries during the most recent three-month period were up by 500 from a year ago, the weakest year-over-year gain since 1983.

Jobs in the service industry, itself, were up by 500 during the first half of 1991. Health services, the largest service industry, added 200 jobs to payroll over the period. On the other hand, retail trade lost 100 jobs during this year's first half, most likely in response to generally sluggish sales trends.

Perhaps the lone bright spot amongst the major economic indicators is found in construction contract trends. While residential valuations were essentially unchanged from a year ago during the first six months of the year, nonresidential projects were valued nearly 50 percent higher. At the same time, however, building-related jobs shrunk by 100 over the same period. In the goods producing sector as a whole, job levels fell by 3,100 in averaging 50,700 in the year's first half. If recent trends continue, 1991 will likely result in the lowest job tally on record for this sector of the economy. Trends in the average factory workweek and in electricity sales to industry suggest that manufacturing activity has been stagnant, at best, so far in 1991.

York

The second quarter brought with it no relief to the economy's problems in Adams and York Counties. As is typically the case during recessions, the region's goods producers have been especially hard-hit. Between the first halves of 1990 and 1991, factory jobs fell at an annual rate of 3.8 percent in the area. On the construction front, contract valuations were down for both residential and nonresidential projects through the second quarter on a year-to-date basis. Building-related jobs were off by 300 over the same period. All told, the 65,700 jobs housed in goods producing industries during the first six months of the year were down 3.7 percent from a year ago and represented the lowest tally since 1984.

For the first time since the early 1980s, some signs of softness in the area's service producing establishments were evident in recent months. The 114,900 jobs maintained in these industries during the year's first half were up 1.8 percent from a year ago, less than one-half the gain averaged between 1982 and 1990. On a seasonally adjusted basis, job levels have slipped in three of the first six months of 1991, including June.

At a seasonally adjusted 6.5 percent, second quarter's jobless rate was the highest since the final three months of 1985. Employment readings have come in below year-ago tallies in each of the past six quarters. The 211,500 residents officially listed among the employed in the second quarter were down 1,500 on an annual basis. Prior to the current downtrend, employment increased nonstop for six years.

Clearly, signs of the national recession dominate the economic landscape in the York metro area. Indeed, it is safe to argue that the region's recent difficulties have not been due to something inherently "wrong" with the local economy. Instead, they are simply the result of the recession evident nationwide. It is quite likely that conditions will soon begin to improve in light of some more positive developments in the U.S. economy of late. However, it is quite unlikely that the strong showing in the region during the mid-1980s will be repeated in the near-term.

— *William D. Anderson*

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q. '91	*2 Q. '91*	*1 Q. '91*	*2 Q. '90*
Employment *(in thousands)*				
Employed, no. of residents	211.5	137	136	138
Unemployed, no. of residents	14.5	146	135	105
Rate, seasonally adjusted	6.5			
Civilian labor force, no. of residents	226.0	138	136	136
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.9	127	128	128
Srv. Prod. only, no. of jobs	115.2	151	152	149
Goods Prod. only, no. of jobs	65.7	100	101	104
Hrs. worked by production workers in mfg., ave. weekly	40.5	99	100	100
Industrial electric power sales	•••	107	103	105
Construction contracts awarded *(in millions of dollars)*	'91 Ytd (Jan.-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	93.3	−18		
Nonresidential contracts only	58.1	−2		

[1] Adams and York Counties

Pennsylvania Business Survey

August 1991 Vol. 32, No. 8

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year. (ISSN 0031-4382)

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U.Ed. BUS 92-036

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College of Business Administration
Published since 1938
Pennsylvania Business Survey

September 1991

U.S. ECONOMIC CONDITIONS WILL DETERMINE PENNSYLVANIA'S NEAR-TERM COURSE

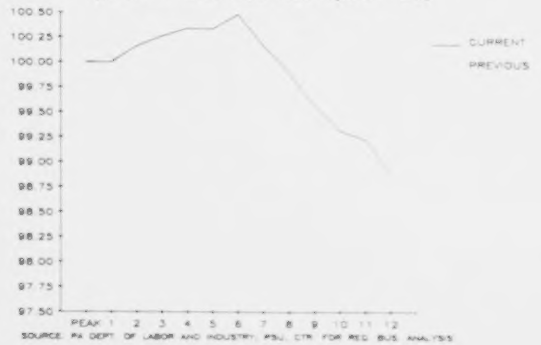
In recent issues of the *Pennsylvania Business Survey*, it has been argued that the State has not been hit quite as hard during the current recession as in previous declines and that the Commonwealth has held up well relative to the nation, at least compared with previous bouts with recession. Indeed, **in the 12 months since the U.S. economy peaked in July 1990, nonfarm jobs in Pennsylvania have not declined nearly as much as in the first 12 months of three previous recessions stretching back to the mid-1970s** (chart). In the three previous recessions, nonfarm job growth measured from the peak in the business cycle was consistently stronger in the nation than in the State (chart) as measured by negative growth differentials. (These differentials were calculated by subtracting U.S. growth from growth in the Commonwealth.) **Over the course of the past 12 months, job growth (measured from the business cycle peak) has been consistently higher in Pennsylvania than in the nation.**

However, there were also signs that Pennsylvania's relative showing in the past six months was not quite as impressive as in the first six months of the current recession. For instance, since January of this year, nonfarm jobs have declined a seasonally adjusted 1.6 percent. During months six through twelve of previous recessions, jobs fell 0.9 percent. In January 1991, job growth (from the July 1990 peak) in Pennsylvania was 1.2 points stronger than in the nation as a whole. As of July, that differential had shrunk to 0.2 percent.

Mid-summer trends suggested that there is little evidence to necessitate a change in the forecast for a sluggish recovery in the Commonwealth's economy in the months ahead. In fact, given that the U.S. recovery is appearing more and more fragile, even that may be a bit too optimistic. Perhaps the most surprising development in July was an apparent surge in residential building activity. The number of new housing units authorized by permit rose by one-fifth from a year ago and the value of residential contracts increased from June readings and from a year ago. The volatile multi-family sector saw permit authorizations double from a year-ago while the more stable single-family sector was home to an 11 percent gain, its strongest showing in recent memory (chart).

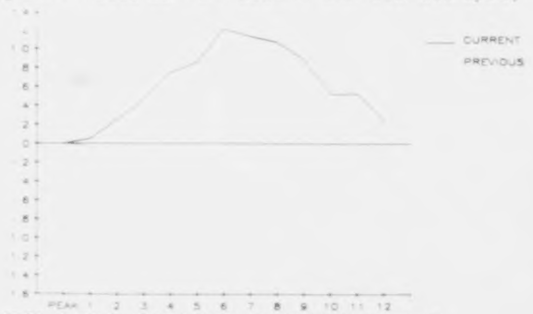
The jump in permit authorizations surely overstated the true strength of the building sector and will not be maintained in the months ahead. Furthermore, despite July's impressive tally, year-to-date trends continue to point down. Much the same is true with respect to contract valuations. Through July, contracts totaled $1.83 billion, down from $2.03 billion during the first seven months of 1990. In addition, building-related jobs, seasonally adjusted, con-

PA NONFARM JOBS DURING THE PAST 12 MONTHS
AND IN THREE PREVIOUS RECESSIONS
(peak in U.S. business cycle=100)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

PA AND U.S. PCT. POINT NONFARM JOB GROWTH
DIFFERENTIALS DURING THE PAST 12 MONTHS
AND IN THREE PREVIOUS RECESSIONS
(growth measured from peak in U.S. business cycle)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

New Pennsylvania building permit authorizations (percent change from year ago)

	July	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,861	20.1	21,559	-7.8
Nonresidential	2,074	-17.3	12,827	-0.5

Source: U.S. Dept. of Commerce, Bureau of the Census.

tinued to track down in July as the warm-weather run-up in employment opportunities fell short of historical norms.

Overall trends in real estate activity were weak in recent months despite a strong second quarter gain of 21 percent from the previous three months in the sales of existing homes in Pennsylvania. Through the first six months of 1991, sales were down nearly 14 percent from the same period in 1990 in averaging more than 187,000 on an annual basis. Nationally, existing home sales were down just 5 percent.

Pennsylvania retailers continued a string of sluggish showings in June. To date, sales were off 3.8 percent from a year ago, including a 1.8 percent annual decline in June. The decline in sales activity was even more pronounced when an inflation rate of 4-5 percent is factored in. Once again, the weakness was especially evident in sales of durable goods. Not surprisingly, the number of new motor vehicles registered in the Commonwealth continued to fall through June. During the first half of the year, registrations were down nearly one-fifth from a year ago. Though not growing substantially, sales on the nondurable goods side are a bit more firm.

Trends in jobs and employment remained weak in July. **On the nonfarm jobs front, July's 5.12 million jobs was the smallest reading for the month since 1988. Weakness was evident across the board, including the service industries.** State and local government jobs fell considerably during the month, as evidenced by a rather large seasonally adjusted decline. Apparently, temporary summertime jobs programs, at least partially funded with public sector funds, were far less active this summer relative to previous years.

In 1990, average annual pay levels in most nonfarm in-

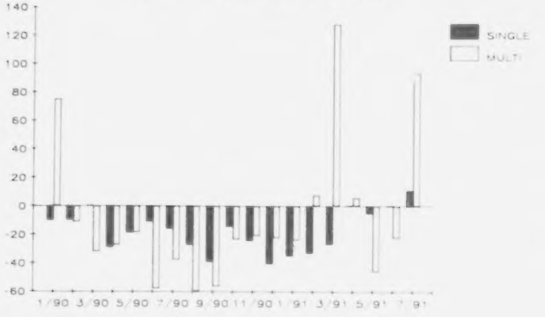
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1991		1990	1991		1990	1991		1990
	June	*July*	*July*	*June*	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,168*	5,121	5,179	5,128*	5,110	5,168	112.3*	111.9	113.2
Service Producing									
No. of wage and salary jobs (thous.)	3,938*	3,893	3,888	3,918*	3,903	3,898	131.0*	130.5	130.3
Transportation and public utilities	269	264	263	268	269	267	102.3	102.7	102.2
Wholesale trade	275	274	280	272*	272	277	122.9*	122.7	125.1
Retail trade	906	903	902	903*	903	902	125.9*	125.9	125.8
Finance, insurance & real estate	304	305	304	301	301	300	138.2*	138.2	137.8
Service & miscellaneous	1,491*	1,491	1,462	1,480*	1,478	1,450	171.6*	171.3	168.1
Federal government	137*	137	147	134	134	145	104.7*	104.7	113.0
State & local government	557*	519	530	561*	547	557	96.3*	93.9	95.6
Goods Producing									
No. of wage and salary jobs (thous.)	1,230	1,227	1,289	1,210*	1,208	1,270	76.9*	76.7	80.7
Construction	229*	235	248	219	215	228	118.9*	117.1	124.2
Mining	26*	26	28	26	26	28	53.9*	54.8	58.3
Manufacturing	975*	966	1,013	966*	966	1,013	72.0*	72.0	75.5
Durable goods	545*	540	576	539*	538	574	66.5*	66.4	70.8
Nondurable goods	430	426	438	428*	428	440	80.4*	80.5	82.6
Ave. wkly. hrs. worked by prod. workers	40.5	40.3	40.8	40.4	40.4	40.9	102.2	102.3	103.5
Total wkly. person-hours worked (mils.)	26.9*	26.4	28.5	26.6*	26.6	28.6	69.3*	69.2	74.6
Total wkly. payroll (mil. dols.)	307.6*	304.0	314.8	305.2*	306.2	317.2	135.8*	136.3	141.2
Average hourly earnings (dollars)	11.44	11.50	11.05	11.46	11.51	11.06	195.9	196.8	189.0
Average weekly earnings (dollars)	463.32	463.45	450.84	463.32	465.78	453.19	200.3	201.3	195.9
Steel production (thous. tons)	703	777	1,012	n.a.	n.a.	n.a.	32.6	37.0	48.2
Industrial electric power sales (mil. kwh)	3,819	3,782	3,905	3,722	3,730	3,829	100.8	101.0	103.7
Mining									
Anthracite coal (thous. net tons)	226	193	225	232	220	248	47.5	50.8	45.1
Bituminous coal (thous. net tons)	5,420	4,767	4,573	5,340	5,941	5,678	75.7	84.2	80.5
Construction contracts awarded (mil. dols.)									
Total	943.7	869.3	805.3*	713.8	820.3	765.9*	221.9	255.0	238.1*
Residential building	316.0	356.0	304.4*	295.0	328.0	276.3*	209.6	233.1	196.3*
Nonresidential building	357.6	320.5	313.2*	275.0	310.9	324.9*	253.5	286.5	299.5*
Nonbuilding (utilities and public works)	270.1	192.8	187.7*	143.8	181.4	164.7*	198.3	250.3	227.2*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,618	5,625	5,664	5,546	5,535	5,571	115.4	115.2	115.9
Unemployed									
No. of persons (thous.)	406	426	310	394	418	301	98.2	104.3	75.1
Rate (percentage of labor force)	6.7	7.0	5.2						
Rate, seasonally adjusted				6.7	7.0	5.1			
Civilian labor force, no. of persons (thous.)	6,024	6,051	5,974	5,940	5,953	5,872	114.1	114.3	112.8
Initial claims for unemployment benefits	97,940	123,194	106,487	115,733	112,825	100,717	80.8	78.8	70.3

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1991		1990	*Month*	*Year*
	June	*July*	*July*	*Ago*	*Ago*
U.S. city average	136.0	136.2	130.4	0.1	4.4
Philadelphia	141.0	142.4	136.3	0.4	4.5
Pittsburgh	130.7	n.a.	125.0&	n.a.	4.6

[1] Total includes workers on strike   * = figure revised   & figure for June 1990   n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

PA SINGLE- AND MULTI-FAMILY RESIDENTIAL PERMIT GROWTH
(annual percent change)



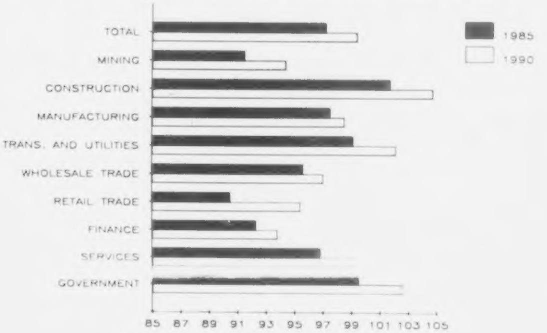
SOURCE: U.S. DEPT. OF LABOR; PSU, CTR. FOR REG. BUS. ANALYSIS.

Pennsylvania existing home sales
(seas. adj. ann. rate; thousands)

	Sales	Pct. change Qt. ago	Yr. ago
1991:IIQ	205.2	21.0	– 9.4
1991:IQ	169.6	–33.5	–18.3
1991 YTD	187.4	n.a.	–13.7

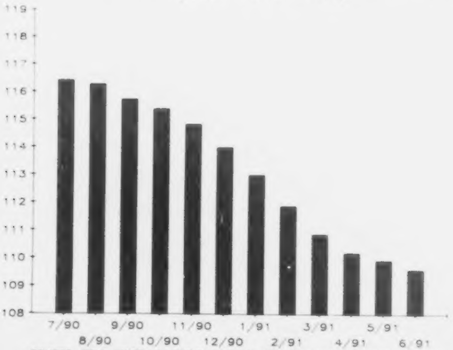
Source: National Association of Realtors.
Most recent data are preliminary.

PA AVERAGE ANNUAL PAY BY INDUSTRY AS A PERCENT OF THE U.S.: 1985 AND 1990



SOURCE: U.S. DEPT. OF LABOR; PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Total	6,858	– 1.8	38,342	– 3.8
Durables	2,349	– 8.8	12,343	–14.1
Bldg. mat.	281	–19.0	1,365	–14.7
Auto dlrs.	1,465	– 7.2	7,551	–12.4
Furniture	258	–21.1	1,519	–20.9
Other	345	6.5	1,908	–14.2
Nondurables	4,509	2.3	25,999	2.0
Gen. mdse.	682	– 6.2	3,827	– 1.3
Food/grocery	1,515	8.3	8,747	6.9
Gas	449	9.2	2,526	5.7
Apparel	348	2.7	1,996	4.6
Eat/drink	822	– 2.7	4,277	– 9.7
Drugs	276	2.6	1,701	7.5
Other	417	– 0.2	2,925	4.5
Seas. adj. total: June	6,708			
May	6,857			

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

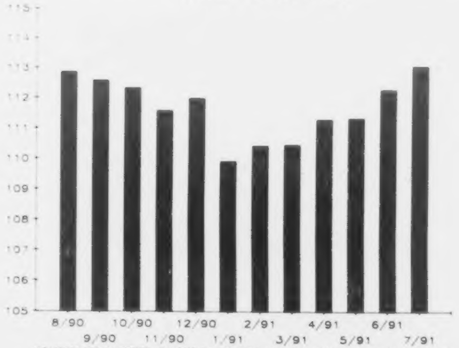
	Total registrations	Pct. change
June	47,536	–18.9
1991 YTD	256,582	–18.4
12-month total	554,592	–13.8

Source: R.L. Polk & Co.

dustries in Pennsylvania were slightly below the national average. Only construction, transportation/public utilities, and government had above-average pay scales. Total average pay, at $23,457, was nearly $150 below the U.S. norm. However, in the nine industries analyzed, the gap between the State and the nation narrowed between 1985 and 1990 (chart).

The jobless rate in the Commonwealth was above the 7 percent mark in four of the past five months, including a 7 percent reading in July. One has to go back to the first half of 1986 to find a similar string of readings. At an unadjusted 5.63 million, the number of residents officially listed among the employed in July stood at its lowest reading for the month in three years. At best, the overall employment/unemployment situation should perhaps be characterized as being in a holding pattern in recent months, with no signs of overall upward or downward pressure.

PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

All things considered, the Pennsylvania economy likely remained in the grasp of a relatively mild recession in the mid-summer months. Indeed, the Pennsylvania Index of Coincidental Indicators continued to track down through June (chart). However, the Index of Leading Indicators remained on an upward track in July, where it has been since the first of the year (chart). This suggests that upcoming months should bring the end of the recession with it. Only time will tell if this qualitative measure of the State's future performance is on target or sending a false signal. If the U.S. economy remains on track, albeit with minimal growth, it is likely that some gains will be realized in the Pennsylvania economy in the near-term. However, if some recent soft-spots in the national economy drag the nation into a "double-dip" recession, things will turn worse again in the Commonwealth before they get better.

— William D. Anderson

Pennsylvania Business Survey

September 1991 Vol. 32, No. 9

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

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U.Ed. BUS 92-039

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1991:IQ	226,071	0.4	4.1	224,982	0.4	4.3
1990:IVQ	225,257	0.6	5.7	224,182	0.7	5.7

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

Personal Income Report

One must look long and hard to find only one piece of good news in the most recent personal income data for this year's first quarter in Pennsylvania. At a seasonally adjusted annual level of $226.1 billion, total personal income in the Commonwealth during the first three months of the year was up 0.4 percent from the previous quarter and 4.1 percent from a year ago. Nationally, growth came in at a quarterly rate of 0.3 percent and at an annual clip of 4 percent. This came on the heels of lengthy period, lasting several years, during which income growth was much stronger in the nation than in the State. For instance, except for 1989, personal income growth had trailed the national average since the mid-1970s.

That was the extent of the good news. Overall trends point to the fact that the State's economy was, indeed, the weakest it had been since the back-to-back recessions of the early 1980s. Growth from the previous three months during the first quarter was the weakest since second quarter 1972. The annual gain was the smallest since 1983:IIQ. Only one other time since 1970 (the second quarter of 1972) had annual growth been slower. After adjusting for inflation, real personal income in the Commonwealth, perhaps the best overall measure of the economy's health, was on the decline for the past 6-9 months. This represented the most convincing evidence of the recession's hold on the Pennsylvania economy.

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